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Annual Report and Accounts 2000/2001

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This *BBC Annual Report and Accounts* is available in public libraries throughout the UK and on the BBC's website at www.bbc.co.uk/info/bbc. It is also available in Welsh, on audio cassette, and in Braille.

We also publish a *BBC Review of the Year*, based on the *Annual Report*, specially designed to report to licence payers on BBC performance and value for money. This is available in English and Welsh – in print, as an audio cassette and in a version tailored for people with learning difficulties. It is also available in Braille.

Annual Reviews of BBC Scotland, BBC Wales, BBC Northern Ireland and BBC English Regions are published simultaneously with this document, as is the Annual Review of the BBC World Service, which is funded by a Grant-in-Aid from the Foreign and Commonwealth Office.

The BBC's wholly-owned commercial subsidiaries, BBC Worldwide Limited, BBC Resources Limited and BBC Technology Holdings Limited trade at arm's length from the BBC and their accounts are independently audited. This *Annual Report* includes a summary of their activities in 2000/2001.

Copies of any of these reports may be obtained by writing to The Secretary, BBC, Broadcasting House, London W1A 1AA.

The BBC in 2000/2001

2000/2001 was a year of transition and achievement. A year in which the BBC . . .

- Created great award-winning programmes on radio and television
- Attracted more users than ever to BBC Online
- Achieved record radio audiences at home and abroad
- Halted a decline in news viewing by moving BBC One's late news to 10pm
- Saw BBC One's share of viewing fall year on year. . .
- Spent more of its income on programmes and services
- . . . but also saw BBC Two's share rise
- Was more highly valued by its audiences
- Developed plans for new digital television, radio and education services
- Maintained its reputation for independence and impartiality

This report gives a full account to licence payers and Parliament of our activities and services, and how far we achieved our objectives.

Chairman's Foreword

In 1951 no-one would have dreamt that the young Prince Charles, just two at the time, would one day throw a party at Kensington Palace celebrating the 50th anniversary of the BBC's experimental radio drama for farmers. Today *The Archers* is much more than radio drama. It has won the affection not just of farmers, but of the 4.5 million people from all walks of life who tune in every week. In 2001, it is more relevant than ever, embracing with craft and understanding real issues in rural Britain.

In the past year BBC programmes have been, like *The Archers*, at the heart of British life, culture and public debate. BBC local and regional services, to which so many turned in troubled times in the last 12 months, were more highly valued and more watched and listened to. BBC journalists showed bravery: from John Ware and the *Panorama* team investigating the Omagh bombing to Joseph Winter and Kate Clark, thrown out of Zimbabwe and Afghanistan respectively. BBC political correspondents showed insight and judgement in the sensitive months before and during the general election.

A new three-year, above-inflation funding settlement was announced by the Government for BBC World Service during the year – accompanied by stretching audience targets. Achieving a record audience of 153 million by March this year means the service is well on the way.

BBC programmes have also surprised and delighted. Who else but the BBC would have broadcast an eight-hour reading of *Harry Potter*? *EastEnders* scaled new dramatic heights during the 'Who Shot Phil?' episodes this spring. *Clocking Off*, *The Sins* and *Down to Earth* showed that innovation at the BBC is not just about reality TV and new gameshow formats. Wonderful factual series like *A History of Britain*, *State of the Planet* and *Congo* have opened eyes and are helping people to learn. Comedy like *My Family*, *Marion and Geoff* and *Happiness* made the nation laugh. And through the BBC, everyone was able to celebrate the unprecedented success of British sportsmen and women at the Olympic Games.

The year has demonstrated that through its programmes and services the BBC remains the cornerstone of UK broadcasting.

Meanwhile, around us, commercial competitors are fighting harder than ever to capture big audiences and the revenue they bring through advertising and subscription. *Big Brother*, *Who Wants to be a Millionaire?* and *Popstars* were programming phenomena born from this commercial drive (they were also terrific entertainment for millions of viewers). And everyone is trying to second-guess the ever-changing technology on which we all depend.

BBC service strategies have been reviewed to reflect changing audience tastes and expectations – but the implementation of new strategies has been fragmented. Established services, like BBC One, BBC Online and national and regional services, are beginning to see the benefits of increased investment. We await approval for our planned new television and radio services, which received strong public support in consultations last autumn. Disappointingly, the new digital curriculum for schools is still not off the ground.

Much of the BBC's planning activity has been properly subject to external examination and probing, although we need to recognise that many of the BBC's critics come with a desire to rein in the BBC for their own commercial ends.

The BBC has not been standing idle. We showed decisiveness in the autumn in moving the late evening news on BBC One to ten o'clock. The programme is, so far, performing well; most importantly, overall news audiences to BBC One and ITV are up significantly.

The new organisational structure, 'One BBC', has been implemented, and the complexities of network commissioning have been addressed. Management has started to streamline divisions, cut overheads further, and move more money directly into programmes. In the coming year, that process will



accelerate, and there will be a significant turnover in staff as the balance of the workforce changes. A new commercial subsidiary has been established, BBC Technology Holdings Limited, which should make money for the BBC and help fund the full service strategy.

These changes should ensure that we will continue to be central to UK broadcasting in the digital age. Indeed, the thrust of the commercial competition over the last 12 months suggests that far from diminishing, our traditional role of providing quality broadcasting for the benefit of all will become increasingly important.

In December the Government published its plans for the future regulation of communications in the UK, including broadcasting and the BBC. The White Paper, *A New Future for Communications*, recognised the unique role of the BBC, and, in particular, the special role of the Board of Governors in safeguarding the public interest. Despite strong lobbying from many of the BBC's competitors – principally those who also lobbied last year against the BBC receiving increased funding – the Government decided that the Governors ought to retain their core responsibilities for:

- setting BBC strategy;
- protecting its independence;
- assessing its performance against objectives and promises;
- appointing senior management.

Responses to the White Paper demonstrate that the BBC's critics will not give up their fight during the legislative battle ahead. Their determination demonstrates their belief that a BBC which is not independently supervised but regulated alongside commercial broadcasting will be more constrained than an independent corporation responsible for its own programme remit. A constrained BBC – one that, for instance, does not offer advertising-free popular drama and entertainment for children, or free-to-air coverage of major sports events, or the largest

content website in Europe – would be a less competitive BBC. More important, it would also be a much less valued part of British life and mean much less to millions of people in the UK.

The Governors take their four core responsibilities seriously. The BBC has strategies in place to take it to the end of this Charter. Its independence from political and commercial pressure, though regularly tested, is secure. This report demonstrates that Governors praise success, but do not cover up failure – and have the power to encourage and accelerate change.

Accountability is always high on our agenda; this year it has been a key theme. The ways in which the BBC listens to and interacts with the public are crucial in building the relationship of trust and openness which is due to licence payers.

Through the difficulties of the past year – among them the potentially devastating terrorist bomb at BBC Television Centre in West London in February – our staff have been an inspiration. The task of modernising the organisation and finding £1.1 billion through savings and increasing commercial income by 2006 has been and will continue to be difficult. But the BBC has the clout, creativity and determination to succeed.

I shall leave the BBC later this year with lasting affection for my colleagues on the Board of Governors, the Executive Committee and all the members of staff who make the BBC what it is. I am very proud of the achievements of this highly creative organisation and of its talent, ambition and fierce independence. It has been a great privilege to be the BBC's Chairman for over five years. I am convinced that this sometimes frustrating, often brilliant, always exhilarating organisation will remain at the heart of Britain's cultural life for many years to come.

A handwritten signature in dark ink that reads "Christopher Bland". The signature is written in a cursive, slightly stylized font.

Sir Christopher Bland *Chairman*

Board of Governors



The Board of Governors, from left, back row: Sir Robert Smith, Roger Jones; middle row: Heather Rabbatts, Gavyn Davies, Sir Christopher Bland, Dermot Gleeson, Baroness Hogg; front row: Tony Young, Professor Fabian Monds, Dame Pauline Neville-Jones, Ranjit Sondhi; inset right: Sir Richard Eyre.

Sir Christopher Bland Born 1938. Chairman of the BBC since 1996. Chairman of the Governors' Commercial Committee. Deputy Chairman of the Independent Broadcasting Authority 1972 to 1979 and Chairman of the London Weekend Television Group from 1983 to 1994. Chairman of NFC plc from 1994 to 2000. His initial term of five years was extended in July 1998 for a further two years to run to 2003. In May 2001, he became Chairman of BT and announced his intention to leave the BBC as soon as his successor had been appointed.

Gavyn Davies Born 1950. Vice-Chairman from 1 January 2001*. Chairs the Fair Trading Compliance Committee and is a member of the Governors' Commercial Committee. A managing director and member of the Board of Directors of Goldman Sachs International. At Goldman Sachs he is also Chairman of the Global Investment Research Department, and Chief International Economist. Member of the Policy Unit at 10 Downing Street from 1974 to 1979. Chaired the independent review into the future funding of the BBC in 1999.

* Replaced Baroness Young of Old Scone, Vice-Chairman August 1998 to November 2000.

Sir Richard Eyre CBE Born 1943. Governor since November 1995. Member of the Programme Complaints Committee. Freelance theatre, film and television director and writer. Producer of *Play for Today* for BBC TV from 1978 to 1981. Director of the Royal National Theatre from 1988 to 1997. Wrote and presented BBC Two's *Changing Stages* in 2000.

Dermot Gleeson Born 1949. Appointed in November 2000*. Member of the Audit Committee. Executive Chairman of M J Gleeson Group plc and EEC Representative of the Midland Bank in Brussels from 1979 to 1981.

* Replaced Adrian White CBE, Governor November 1995 to November 2000.

Baroness Hogg Born 1946. Governor since February 2000. Member of the Audit Committee and Governors' Commercial Committee. Non-executive Chairman of Frontier Economics and Deputy Chairman of 3i. Director of GKN and P&O Princess. Director of Martin Currie Portfolio Trust. She was made a life peer in 1995 and is a member of the House of Lords Monetary Policy Committee.

Roger Jones OBE Born 1943. Appointed National Governor for Wales in December 1996. Member of the Audit Committee and Fair Trading Compliance Committee. Chairman of BBC Children in Need and the BBC's pension fund. Founder of Penn Pharmaceuticals in the early 1980s.

Running the BBC

The BBC is a corporation established by a Royal Charter which sets out its objectives. The current Charter runs to December 2006. BBC services are regulated by a separate Agreement which recognises the BBC's editorial independence. The BBC receives most of its income from the licence fee.

Twelve Governors are appointed by the Queen on advice from ministers to ensure that the BBC fulfils its obligations. Governors are now appointed for a term of four years (previously five years). They are men and women with a wide range of experience and interests. They include National Governors for Scotland, Wales and Northern Ireland and a Governor with special responsibility for the English Regions. The interests of audiences in each part of the UK are represented by National Broadcasting Councils in Scotland, Wales and Northern Ireland, and by the English National Forum, which is supported by a network of Regional and Local Advisory Councils.

The Governors are the trustees for the public interest in the BBC – ensuring that the organisation is properly accountable while maintaining its independence. Their job is to make sure that the BBC is on the right strategic course, and is properly

regulated and effectively managed. They judge the performance of the BBC's public services against criteria for quality, editorial values, distinctiveness, public service, value to licence payers and universal accessibility.

The Governors are committed to keeping in touch with the views of the BBC's audiences. They undertake a range of activities to help them do so, including public consultations on changes to services funded by the licence fee, obtaining independent specialist advice, audience research and public events.

The Governors also safeguard the independence of BBC World Service, which is funded by Foreign and Commonwealth Office Grant-in-Aid. A World Service Consultative Group advises them on World Service output and audience perceptions of it.

Day-to-day management is the task of BBC executives. The Director-General is the BBC's chief executive and editor-in-chief. The Governors appoint the Director-General and, with him, the most senior management.

BBC operations are run by the directors of nine programming and broadcasting divisions and six professional services, and by the chief executives of the BBC's commercial businesses. They report to the Director-General and, together, they make up the Executive Committee. A less formal Leadership Group meets to discuss and develop the vision for BBC programmes and services.

Professor Fabian Monds CBE Born 1940. Appointed National Governor for Northern Ireland in August 1999. Specialist in communications, information systems and innovation studies. Emeritus Professor, University of Ulster. Chairman of the Northern Ireland Industrial Research and Technology Unit, and of the Information Age Initiative, member of several economic development bodies.

Dame Pauline Neville-Jones DCMG Born 1939. Governor since January 1998. Chairs the Audit Committee and Governors' World Service Consultative Group. She is a member of the Programme Complaints Committee. A career member of the Diplomatic Service from 1963 to 1996, she was a political director of the Foreign and Commonwealth Office from 1994 until her retirement.

Heather Rabbatts CBE Born 1955. Governor since March 1999. Member of the Fair Trading Compliance Committee. A former Chief Executive of the London Borough of Lambeth, she has had a substantial career in public services management. A Governor of the LSE and an education enthusiast. Chief Executive of Impower plc providing internet consultancy and applications to the Government sector.

Sir Robert Smith Born 1944. Appointed National Governor for Scotland in August 1999. Chairs the Programme Complaints Committee and is a member of the Governors' Commercial Committee. Vice-Chairman of Deutsche Asset Management Group Ltd. Chairman of the Board of Trustees of the National Museums of Scotland and President of the British Association of Friends of Museums.

Ranjit Sondhi CBE Born 1950. Governor since 1998 with special responsibility for the English Regions. Chairman of the English National Forum and a member of the Programme Complaints Committee. Senior Lecturer at the University of Birmingham, Westhill and also serves on various Government Advisory Committees. Trustee of the National Gallery. Former Deputy Chairman of the Commission for Racial Equality and has also served on the Independent Broadcasting Authority and the Radio Authority.

Tony Young Born 1942. Governor since August 1998. Member of the Fair Trading Compliance Committee. Senior Deputy General Secretary of the Communication Workers Union. Member of the TUC General Council. European Co-President of the Union Network International. Member of the Employment Tribunal Steering Board.

Executive Committee

Director-General's overview

My first year at the BBC has been a year of change, a year when we have begun to make real savings on the cost of the BBC's overhead; a year when we have outlined radical plans to alter our digital television services and to launch a series of new digital radio services; and a year when we have developed a new strategy for our role in new media.

But yet bigger changes will come over the next two years when we increase spending on programmes and services by more than £450 million a year, the largest increase in the BBC's history.

The BBC's task is to make sure we spend our money well, to ensure we improve the services we give to the people who pay for the BBC – the licence fee payers. We are planning large increases in expenditure on BBC One – largely in drama and sport – on programme making in the Nations and in the English Regions and, in particular, in the area of education.

We have been able to make these changes, partly because of the increase in the licence fee given to us by the Government; partly because of savings we are making from the One BBC restructure; and finally because of additional commercial income we are receiving from BBC Worldwide, BBC Resources and BBC Technology.

We are still waiting for the Government to give us the go-ahead to launch our new television and radio services, and as soon as they do we'll move fast and make the new services available as soon as possible.

In the meantime we have had some great programming successes over the last year of which perhaps the most impressive was the BBC's coverage of the Olympic Games in the autumn of 2000. The International Olympic Committee gave the BBC its Gold Award, voting our coverage the best of any broadcaster in the world and rightly so. It was public service broadcasting at its very best.



Greg Dyke Director-General



Above, top: **Greg Dyke** Director-General. Joined the BBC as Director-General designate in November 1999. Previously Chairman and Chief Executive of Pearson Television and an executive director of Pearson Plc.

Above: **Alan Yentob** Director, Drama, Entertainment and Children. Director of Television 1997 to 2000. Director of Programmes 1996 to 1997. Former Controller of BBC One and BBC Two.

Above, top: **Jenny Abramsky** Director, Radio and Music. Former Director of BBC Continuous News. Founding Controller of Radio Five Live. Editor, News and Current Affairs Radio, 1987 to 1993.

Above: **Mark Thompson** Appointed Director, Television, April 2000. Former Director of National and Regional Broadcasting. Former Controller, BBC Two. Following experience in News, was Head of Features and then Head of Factual Programmes.

Above, top: **John Smith** Director, Finance, Property and Business Affairs. Director of Zurich Financial Services; member of Accounting Standards Board Public Sector and Not-for-Profit Committee.

Above: **Carolyn Fairbairn** Appointed Director, Strategy, May 2000. Took on responsibility for Distribution April 2001. Controller of Corporate Strategy from 1999 to 2000, and formerly Strategy Director at BBC Worldwide Limited.



Above, top: **Peter Salmon** Appointed Director, Sport, November 2000*. Controller, BBC One 1997 to 2000. Former Director of Programmes, Granada Television. *Richard Sambrook was acting Director, Sport, March to October 2000.

Above, top: **Glenwyn Benson** Appointed Joint Director, Factual and Learning, March 2001*. Former Head of BBC Science. *Replaced Lorraine Heggessy, Joint Director, Factual and Learning, April to September 2000.

Above, top: **Ashley Highfield** Appointed Director, New Media, October 2000*. Executive Vice-President and General Manager, Flextech International 1996 to 2000. Head of IT & New Media, NBC Europe, 1995 to 1996. *Mark Byford took responsibility for New Media March to September 2000.

Above: **Pat Loughrey** Appointed Director, Nations and Regions, May 2000. Controller of BBC Northern Ireland 1994 to 2000. Previously Head of Programmes, Northern Ireland.

Above: **Philip Langsdale** Appointed Director, BBC Technology Holdings Limited, April 2001. Former Director of Distribution and Technology, from April 2000. Formerly IT Director, Cable & Wireless Communications Ltd.

Above: **Mark Byford** Director, BBC World Service. Former Director of Regional Broadcasting. Previously news journalist, documentary producer and editor.



Above, top: **Richard Sambrook** Appointed Director, BBC News, March 2001*. Former Deputy Director, News, Head of Newsgathering, Deputy Editor 9 O'Clock News. *Replaced Tony Hall, Director, BBC News to March 2001.

Above, top: **Rupert Gavin** Chief Executive, BBC Worldwide Limited. Former Managing Director, Consumer Division, BT. Previously Deputy Managing Director, Dixons Stores group.

Above, top: **Caroline Thomson** Appointed Director, Public Policy, August 2000*. Deputy Chief Executive, BBC World Service, 1997 to July 2000. Strategy and Corporate Affairs Director, BBC World Service, 1995 to 1997. Head of Corporate Affairs, Channel 4, 1990 to 1995. *Replaced Patricia Hodgson, Director, Public Policy, from April to August 2000.

Above: **Margaret Salmon** (left April 2001) Chief Executive of BBC Resources Limited.

Above: **Michael Stevenson** Appointed Joint Director, Factual and Learning, April 2000. Director of BBC Education 1999 to 2000. Former Deputy Director, National and Regional Broadcasting. Secretary of the BBC 1992 to 1996.

Above: **Gareth Jones** (left June 2001) Director, Human Resources and Internal Communications.

Note: **Sophie Turner-Laing** was Acting Director, Marketing and Communications, January to May 2001, taking over from Matthew Bannister (Director, May to December 2000).

Review of the Year: The BBC in 2000/2001

For the BBC, 2000/2001 was a year both of achievement and of transition.

Under the new Director-General, Greg Dyke, we introduced a new structure and a new commissioning process. We reduced the amount we spent on running the organisation by £45 million. We developed plans for new digital radio, television and online services and put £165 million more into programmes.

Overall, the BBC was better valued by its audiences and our services still reached 94% of the population every week, despite the proliferation of competition. And, at 28.5p per day, the licence fee costs less than the average price of a daily newspaper (39.5p).

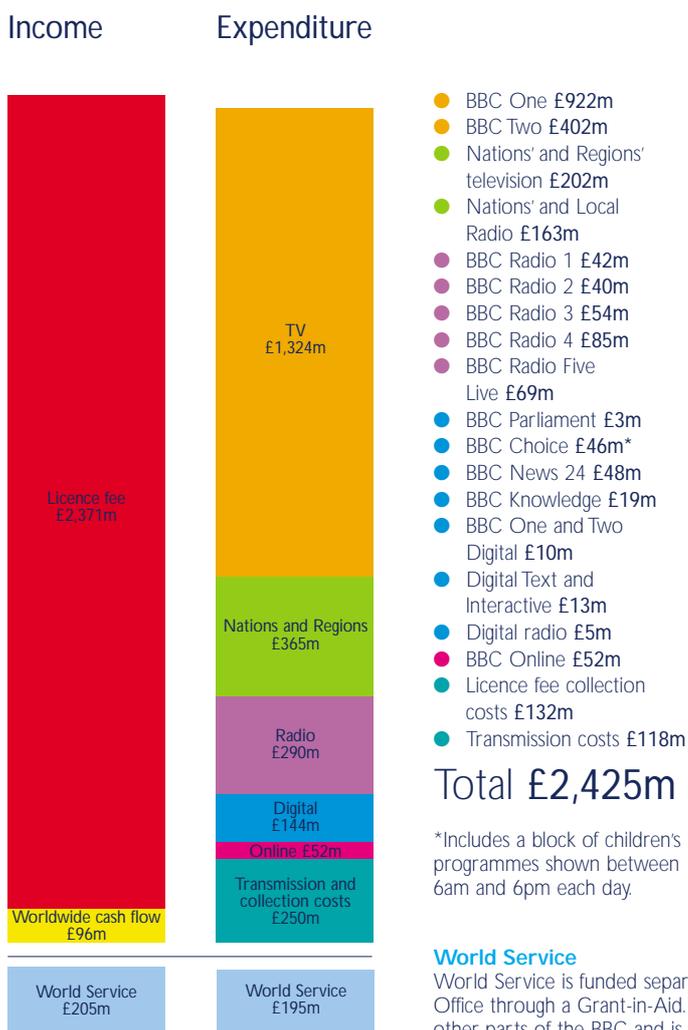
We achieved record radio audiences at home and abroad, and attracted more users than ever to BBC Online. BBC One's

share of viewing fell year on year, but BBC Two's share rose. We made some great programmes and continued to take the lion's share of awards. We met the editorial standards expected of us, despite a number of controversial programmes, and successfully maintained our independence from political and commercial pressure.

Over the next two years, we are committed to the biggest increase in spending on programmes in our history. And, subject to Government approval, we will launch new digital services which will enable us to focus on particular interests, such as the arts, and on particular audiences, including the young, and people from ethnic minority backgrounds.

● We spent more of our income on programmes and services

In 2000/2001 we increased the proportion of income that we spent on programme content from 76% to 81%.



● We created great award-winning programmes on radio and television.

For 2000/2001 we collected:

- The Golden Rose of Montreux
- Two Silver Roses of Montreux
- The International Olympic Committee '5 Gold Rings' for Best Olympic Coverage in the World
- Six BAFTA Programme awards
- Eight BAFTA Craft awards
- Three BAFTA Film awards
- Four BAFTA Interactive Entertainment awards
- 23 Sony Gold radio awards
- 14 Royal Television Society Programme awards
- 10 Royal Television Society Journalism awards
- Two International Emmys

BBC spend by genre 2000/2001

	Millions
News	342
Factual and Learning	308
Entertainment	294
Drama	268
Sport	256
Music and Arts	133
Speech – Local Radio	101
Children	60

World Service

World Service is funded separately by the Foreign and Commonwealth Office through a Grant-in-Aid. This cannot be used to cross-subsidise other parts of the BBC and is only used to fund the World Service.

- Despite increasing competition, our services reached 94% of the population.

Combined 15-minute weekly reach of BBC Television and Radio services 1999/2000 to 2000/2001

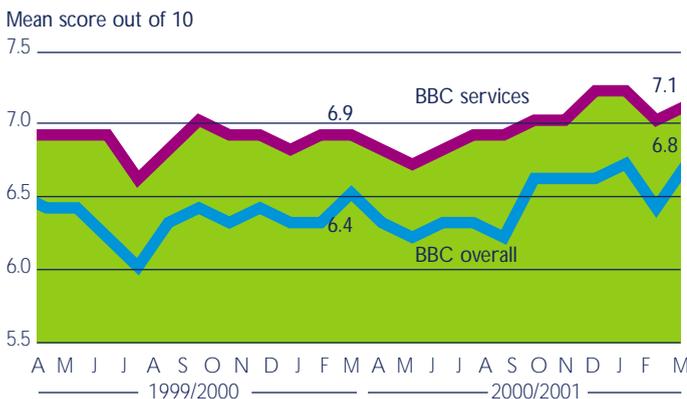
Year	Reach (%)
2000/2001	94.4
1999/2000	94.9

Source: BARB, RAIAR, Age 4+, average reach for the year

- The BBC was more highly valued by its audiences.

Approval of both the BBC's services and of the BBC as an organisation overall improved over the year, with both measures higher than the same time last year.

Approval: BBC overall and BBC services 1999/2000 to 2000/2001



Source: Pan BBC Tracking Study. Note: exaggerated scale.

- We saw BBC One's share of viewing fall year on year – but also saw BBC Two's share rise.

BBC One and BBC Two change in share 1999/2000 to 2000/2001

Service	Year	Share (%)
BBC One	2000/2001	26.8
	1999/2000	28.3
BBC Two	2000/2001	11.0
	1999/2000	10.8

Source: BARB

- We halted a decline in news viewing by moving BBC One's late news to 10pm.

BBC One late news audiences 1996/1997 to 2000/2001

Year	Program	Average audience (Millions)
2000/2001	BBC Ten O'Clock News	5.1
1999/2000	BBC Nine O'Clock News	5.0
1998/1999	BBC Nine O'Clock News	5.2
1997/1998	BBC Nine O'Clock News	5.7
1996/1997	BBC Nine O'Clock News	6.0

Source: BARB weeks 42 to 13

- We achieved record radio audiences at home and abroad.

Total BBC Radio share, Quarter 1 2001

Year	Share (%)
2001	52.1
2000	51.0

Source: RAIAR, Age 15+

Listening to BBC World Service 2000 and 2001

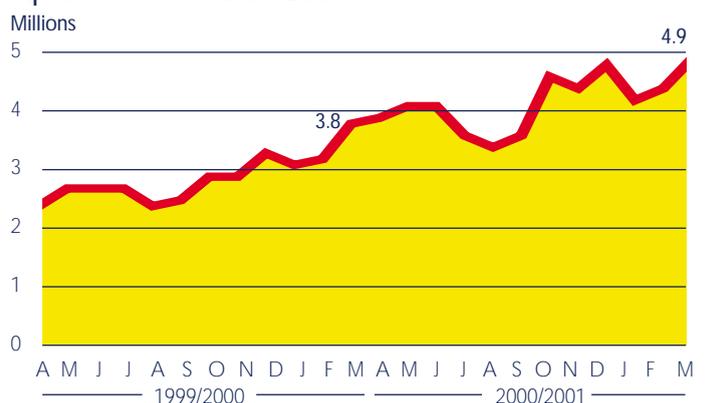
Year	Average audience (Millions)
2001	153
2000	151

Source: BBC World Service

- We attracted more users than ever to BBC Online.

BBC Online has the highest reach of any content site in Europe. The total number of BBC Online users grew by 1.1 million over the year to a record 4.9 million in March 2001.

BBC Online reach of UK internet users April 1999 to March 2001



Source: Server logs

Review of the Year: Public Services

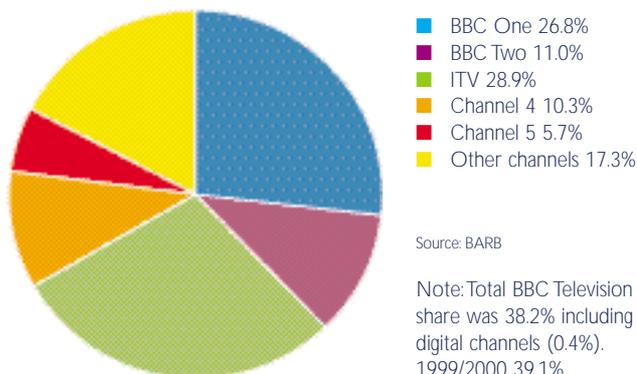
The BBC Governors indicated in the *Annual Report* last year that performance in 2000/2001 would be assessed against six criteria. BBC services should:

- provide high-quality programmes or content;
- uphold the BBC's editorial values;
- offer a distinctive mix of programming or content;
- contribute to the achievement of the BBC's public objectives;
- demonstrate public value or appeal to licence payers; and
- be free at the point of use and universally accessible.

This report was compiled after the Board of Governors and the Executive Committee met in May 2001 to review the BBC's year. It tells the story of the year with these criteria in mind, and sets out the Governors' assessment of how well the BBC performed, what the weaknesses were, and how they should be addressed.

Total BBC Television share accounts for over 38% of all viewing in the UK, slightly lower than in 1999/2000.

Total Television share 2000/2001



Billy Elliot won three BAFTA Film awards and three Oscar nominations.

BBC Television introduced viewers to Tate Modern, Britain's new museum of modern art.



Television

We have had many great moments on BBC television over the year – from the shooting of Phil Mitchell in *EastEnders*, to *Proms in the Park*, from the death of Victor Meldrew in *One Foot in the Grave* to Denise Lewis draped in her Union Jack at the Sydney Olympics.

BBC Television has seen some new comedy working well, particularly *Happiness* and *Coupling* on BBC Two. There has also been the astonishing success of *The Weakest Link*, brave investigative documentaries, and powerful drama such as *Clocking Off*. But did the BBC's television programmes and channels meet the standards that their viewers expect?

The BBC makes thousands of television programmes every year. It experiments and it takes risks with programmes like *Care* and *Tinsel Town*. Inevitably some programmes do not work as well as others. The adaptation of Kingsley Amis's *Take a Girl Like You* did not draw the audiences the BBC would have liked, but it was a highly commendable attempt to strike out in new directions for costume drama. And there were encouraging signs, particularly in popular drama, where programmes like *Holby City*, *Monarch of the Glen* and the lunchtime serial, *Doctors*, did particularly well.

When we do fall short, audiences usually let us know – as they did when the *Sports Review of the Year* came from a studio set that could not accommodate wheelchair athlete Tanni Grey-Thompson. But overall, the main networks – BBC One and BBC Two – more than matched the expectations of viewers. *A History of Britain*, Robert Winston's *Superhuman*, and the landmark arts series *Changing Stages* were seen for what they were – quality programmes in which we had invested time and money.

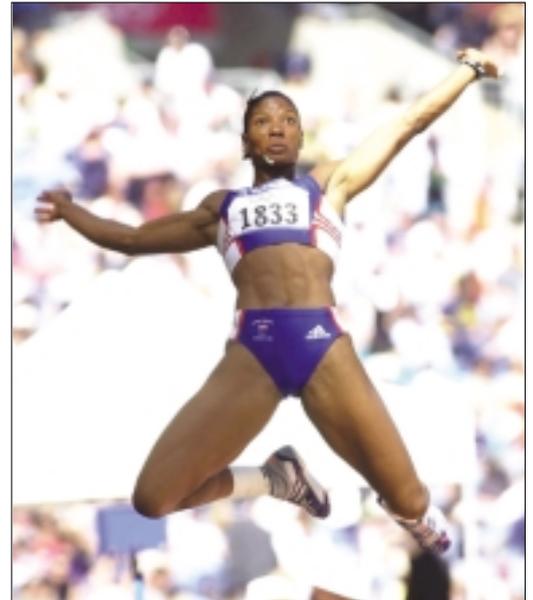
On the other hand, a quickly-made documentary about lone yachtswoman Ellen MacArthur and the latest adventures of Louis Theroux showed that good programmes do not have to be long in gestation.

New programmes often take time to bed in. *Attachments*, an innovative internet-linked serial about a dot.com company, did not engage first time around, but it will be returning. Encouragingly, *My Family* was a first time hit, while the disappointing *Office Gossip* was a reminder of how difficult sitcom is to get right. The new quirky BBC Two comedy, *Marion and Geoff*, was highly regarded, as were established favourites like *Tweenies* (research suggests that this is one of the best-appreciated programmes the BBC has ever made) and *EastEnders*, which has gone from strength to strength.

Of our digital-only channels, BBC Choice and BBC Knowledge began to deliver high-quality programmes. These included *Mel B: The Players' Club* and *Liquid News*, a showbiz news programme, on BBC Choice; and *Kino*, the best of world cinema, on BBC Knowledge.



TV chef Jamie Oliver supporting **BBC Children in Need**. In 2000 the BBC's charity distributed £18.5 million to 19,000 groups, charities and institutions for the benefit of young people. In 2001 we expect to share out more than £20 million.



Olympic gold medalist Denise Lewis, winner of the heptathlon in Sydney.

EastEnders went from strength to strength: the *Who Shot Phil?* episode attracted over 18 million viewers.

The BBC's performance was underlined by the international success of *Billy Elliot*, winner of three film BAFTAs and three Oscar nominations, plus a string of Royal Television Society awards, BAFTA prizes for a range of outstanding sport, drama and factual programmes, and The Golden Rose of Montreux for *Lenny Henry in Pieces*. They followed Emmy awards for *Gloriana: A Film* about Elizabeth I's relationship with the Earl of Essex, and the children's serial *The Magician's House*.

Overall the BBC's editorial standards have been maintained – for example in *Care*, Kieran Prendiville's film on abuse in children's homes which, like the accompanying discussion programmes on television and radio, handled a difficult issue with great sensitivity.

The BBC demonstrated its independence on some challenging programmes, including the Holocaust memorial coverage in January this year, and *Rebel Heart*, a romance by Ronan Bennett, set against the backdrop of the Easter Rising. Both touched raw nerves, and drew considerable criticism prior to transmission.

Anne Robinson's comments on *Room 101* about Welsh people became a *cause célèbre*. The BBC's Programme Complaints Unit and the Broadcasting Standards Commission did not uphold subsequent complaints. The BBC considered that the remarks fell within the bounds of acceptable banter, but recognised the sensitivity of questions of national identity.

Last year the Governors said the mix of programming on the

core networks needed to be strengthened, and particularly the mix on BBC One.

It takes time to develop fresh programmes for a network, and it will be 18 months before audiences feel the full benefit of new investment on BBC One. But progress has been made. There is less light factual programming, more drama, comedy, entertainment and landmark factual content.

The daytime schedules on the main channels have been extraordinarily successful. Alongside *Doctors*, there were a revived *Ready, Steady, Cook*, and BBC Two's biggest hit of the year, *The Weakest Link*.

Strong seasons for *Horizon*, *Timewatch* (which had its biggest audience for 19 years), and *Everyman*, and an excellent year in natural history programmes (*Natural World*, *Congo* and *State of the Planet*) showed the BBC's outstanding strength in specialist factual content.

The BBC exists to inform, educate and entertain and, in broad terms, our television programming met these purposes. It is also the BBC's role to reflect events of importance to the UK as a whole. So we brought the Tate Modern, a new national treasure, to the attention of audiences, covering the opening of the building on BBC One and BBC Two. Cameras were also at anniversaries of Dunkirk and the Battle of Britain, and a number of programmes marked the Queen Mother's 100th birthday. Many people were disappointed, however, by the decision not

The popularity of EastEnders continues, with the most popular episode, Mel and Steve's wedding, and the shooting of Phil, drawing 18 million viewers.

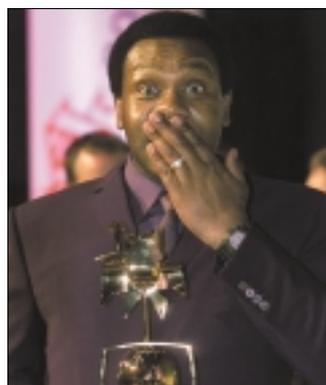
Top ten programmes on BBC One 2000/2001

	Audience Millions
EastEnders	18.01
Euro 2000: England v Romania	14.56
One Foot in the Grave	12.84
Comic Relief 2001	11.47
The Weakest Link	11.40
I Don't Believe It	11.25
Film: Deep Impact	11.25
Film: Men in Black	10.69
Casualty	10.40
Antiques Roadshow	10.14

Source: BARB. Note: For series, highest individual programme audience shown.



*How Jesus may have looked. An image from **Son of God**, the acclaimed three-part series for BBC One.*



*The man himself: **Lenny Henry in Pieces** won The Golden Rose of Montreux.*



*Robert Lindsay and Zoe Wanamaker in the popular new comedy, **My Family**.*

to cover the birthday pageant, and we now recognise that this decision was a mistake.

Much is expected of the BBC as a public service broadcaster. Last year the General Synod of the Church of England questioned our commitment to religious broadcasting following changes to the television schedules. In fact there will be no diminution in the BBC's provision of religious programmes – either in budget or in hours. The recent *Son of God*, an expensive and highly appreciated series for BBC One, is an example of this, and audiences can expect more high-profile, quality programmes. BBC Two will have an Islam season this autumn.

Similarly, the BBC has reaffirmed its commitment to arts, guaranteeing network hours and budget for arts programming. During the year we have seen some remarkable arts output – including the innovative *Travels with my Tutu* (dance) and *Walk On By*, the history of popular song.

BBC services have the difficult task of satisfying particular interests while still, at key points in the schedule, appealing to the audience in large numbers. It was good to see BBC Sport doing both during the Euro 2000 football finals and the Olympic Games. In a good year for BBC Sport, we also caught the emotion of Pete Sampras's seventh Wimbledon title, and Venus Williams's first, Tiger Woods winning The Open, and Liverpool's spectacular run in the UEFA Cup.

In October we moved the late news bulletin to ten o'clock on BBC One to arrest the decline in news viewing. The move also opened the way for a stronger, more distinctive schedule. *The Weakest Link* became a fixture on BBC One as well as on BBC Two. Scheduled back to back, *One Foot in the Grave* and *The Royle Family* drew the large audiences they deserve. Similarly, popular drama shown in two parts enabled the channel to give added impact to programmes like *Silent Witness* and the new *Crime Doubles*. BBC One will soon be running *EastEnders*, its most widely appreciated drama, four nights a week.

But at some important times we did not connect with big audiences as we would have wished. We won the traditional Christmas ratings battle, but viewing was disappointing considering the range of original drama, entertainment and factual programming on offer, including *Gentlemen's Relish* (comedy-drama with Billy Connolly), the award-winning *Lenny Henry in Pieces*, and a *Walking with Dinosaurs* special on the life of a single allosaurus.

Across the year, BBC One's all-hours share fell by 1.6%, and peak share by 1.5%. We expected our overall television share to fall with the spread of multi-channel television and ITV's all-hours share fell by almost the same amount as BBC One's. Nonetheless, strong programmes on BBC One remain a priority.



Entertainment and factual programmes featured strongly in the top ten programmes on BBC Two during 2000/2001.

Top ten programmes on BBC Two 2000/2001

	Audience Millions
The Weakest Link Celebrity Special	6.59
Have I Got News For You	5.77
World Snooker Final (Williams v Stevens)	5.76
The Weakest Link	5.54
Have I Got Buzzcocks All Over	5.47
The Simpsons	5.41
Congo	5.10
Horizon	5.09
The Simpsons: America's First Family	4.74
Journeys to the Bottom of the Sea	4.68

Source: BARB. Note: For series, highest individual programme audience shown.



Trouble in the sausage industry. *Blood on the Carpet* offered a new angle on business.

The end of the dream. England lose to Romania, and are knocked out of Euro 2000.

The giant river otter of Brazil, in *Andes to Amazon*, on BBC Two.



We know that the competitive challenge will grow. ITV has declared its intention to target the BBC One audience further, and while BBC One will invest in more popular programmes, it will also continue to offer the quality landmark programming – such as *Superhuman* and *Son of God* in prime time – that sets the network apart.

Importantly, public perception of the channel (and of the BBC overall) improved during the year, and news viewing on television generally has increased as a result of the new schedule. We want to reposition BBC One as the flagship of a suite of eight proposed digital services (see pages 40 to 43), but it will take time to complete the overhaul. This year a further £67 million will go into drama, entertainment and factual programming for BBC One, and viewers can expect to see the full benefit over the next 18 months.

BBC Two had a very impressive year. It had good audiences for *A History of Britain*, *What the Romans Did for Us* and the *I Love...* (the 70s and 80s) nostalgia programmes. The digital channels BBC Choice and BBC Knowledge (which, if our plans are approved, will be replaced by BBCs Three and Four), are gradually building share and reach.

Like BBC One, these channels will also benefit from new investment. In all, the BBC will put an additional £265 million into its television channels over the next two years – the biggest financial boost for television in the BBC's history.

Licence payers are funding BBC digital services already, and digital take-up has been rapid. But many people are put off because they see digital as a pay-TV service. Access to BBC services without charge is an underlying principle of public service, and we will be promoting the message that viewers who have the correct equipment do not have to pay subscriptions in order to receive the BBC.

We must also be accessible in other ways. Everyone should enjoy and value the BBC, which is why we have increased the number of hours that carry British Sign Language interpretation from just over two hours to more than eight hours a week. We are also devising new programmes and services that will appeal to young people and people from black and Asian backgrounds, currently under-served by BBC Television.

We are also tackling a weakness in the way the BBC serves and reflects the Midlands and North of England on television. *Clocking Off*, the BAFTA-winning drama about a Northern textile factory and its workers, is just one of a number of current and forthcoming programmes which aim to address this.



Sara Cox, Radio 1's *Breakfast Show* presenter.



Chris Moyles hosts *One Big Sunday* for Radio 1.



Prince Charles threw a party to celebrate the 50th anniversary of *The Archers*.

Radio

It was a remarkable year for BBC Radio, in which the appeal of the network, Nations' and local services has grown.

'I thought the idea was ludicrous. But we switched on, and I am delighted to say that right at the very end the entire family was still listening...' One listener's comment after Radio 4's eight-hour reading of an entire *Harry Potter* children's novel on Boxing Day. It broke all the rules of broadcasting – but some 3.4 million listeners tuned in, and around 385,000 stayed from beginning to end.

All of the networks – from Radio 1 with its massive outdoor concerts to Radio Five Live with its special travel service for UK fans at Euro 2000 (broadcast on local frequencies in Belgium and the Netherlands) – did fresh, inventive things, while keeping faith with their audiences.

The latest research shows that in the first quarter of 2001 the BBC accounted for 52.1% of listening across the UK in the average week, compared with 51% a year ago. Radio 2, named Sony Radio Academy UK Station of the Year, increased its reach to a record 10.9 million over this period. Radio 4's audience share and reach were up too, and Radio 3 held steady. Over the past six months Radio 1, which is in a process of change as

it sharpens its focus on 15 to 24 year-olds, has lost listeners. Reach in the first quarter of 2001 was down by around 9% on the same quarter last year. However it is hoped that changes introduced in March will bring listeners back. Radio Five Live saw average weekly reach fall by half a million in the first six months of the year. Listening has, however, increased by 300,000 since the summer.

The BBC's radio services play an important part in fulfilling its public service role. Radio 4 and Radio Five Live, for example, provide high-quality news and debate at key times of day, and Radio 1 is an important link with young audiences, offering information about careers and social and health issues, as well as a distinctive and wide range of popular music.

The networks also offer extra value through their websites. Relunched around Christmas, the sites now attract over 24 million page impressions a month (up from 10 million). All the networks offer live streaming, webcams, and a catch-up service for people who miss programmes in the regular schedule.

There are still audiences the BBC does not serve adequately. We await Government approval for a new digital radio station offering black urban music (a genre attractive to young people of all ethnic backgrounds), and we plan to offer the Asian Network, originally a radio service for the Midlands, across the UK on digital radio. The Asian Network is already available across the UK on digital satellite and the internet.



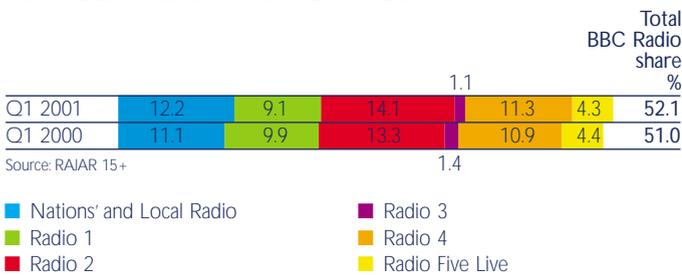
Jan Ravens and Jon Culshaw collect the Sony Comedy Award from Sir Norman Wisdom for Radio 4's *Dead Ringers*.



Jude Law recording *'Tis Pity She's a Whore* for Radio 3.

BBC Radio achieved a record 52.1% share of all listening during Quarter 1 2001.

Total BBC Radio share 2000/2001



Proms in the Park concerts in London, Birmingham and Liverpool drew an estimated 63,000 revellers.

At times the networks were let down by technology. Radio 4 experienced breaks in transmission, and a fire put Radio 2 off the air recently. Steps are being taken to replace ageing equipment.

Radio 1

Radio 1 aims to be the number one youth music service in the UK, supporting a wide range of new artists and tracks. Despite some recent audience loss, the station continues to reach over 50% of its 15 to 24 year-old target market, and it also increased its reach among under 15 year-olds.

A significant innovation was a summer of live events, raising the profile of the network and building audience ties. Most notable was *One Big Sunday*, a series of events at urban locations around the UK. They drew crowds of up to 80,000 people (compared with the average of 15,000 for the Radio 1 Roadshows, which they replaced). The *Radio 1 Dance Parties* enjoyed similar success – but all were dwarfed by the *Love Parade* in Leeds, which drew an estimated 250,000 people.

Radio 2

Radio 2 built on its extraordinary success of recent years. It is the most listened-to station in the UK, accounting for 14.1% of all radio listening (first quarter of 2001, age 15+). Awareness of the station is as high as it has ever been among the core target group (35 to 54 year-olds). *Terry Wogan's Breakfast Show* is stronger than ever, achieving a record audience of 6.3 million, and *Steve Wright in the Afternoon* reached up to 5 million a week.

The emphasis moved towards live music, with concerts around the UK through the year. The station also offered a broader range of sounds with five new genres (including reggae and punk) added to an already long list.

The network also provided topical discussion, documentary and other programming. On average, more than 2 million people – 17% of listeners at that time of day – listened to *Good Morning Sunday*, the religious magazine programme.

Radio 3

Radio 3 managed considerable change over the year without losing its established audience. Reach remained steady at around 2 million as the emphasis continued to move towards broader cultural content at certain times of the week.

Key changes included the introduction of the award-winning *Late Junction* four nights a week, offering an esoteric range of music not traditionally associated with Radio 3. The network also responded to listeners' views about jazz, and two new programmes, *Jazz Legends* and *Jazz Line-Up*, were well received.

A composer has been attached to each of the six performing groups (five BBC orchestras and the BBC Singers), reinforcing Radio 3's reputation as the world's leading commissioner of new classical music.



Mark Lamarr, one of the voices broadening the appeal of Radio 2, the most listened-to station in the UK.

Andy Kershaw in Haiti, in Radio 4's international current affairs programme, *Crossing Continents*.



Commentator Alan Green, a voice of football on Radio Five Live.

Radio 4

The weekly reach of Radio 4 remains high at just over 9 million in what has been a period of consolidation following two years of considerable change.

Investigative and other factual strands performed well along with the news programmes – from *Today* to *The World Tonight* – that are central to Radio 4. And the station's coverage of the foot and mouth crisis – through *The Archers*, *Farming Today*, *You and Yours* and *The Food Programme*, was outstanding.

Radio comedy (an important breeding ground for television talent) had new hits in *Sunday Format*, *Dead Ringers* and *Little Britain*. Outstanding drama included *2000 Tales* (modern-day stories on the lines of the *Canterbury Tales*, aired across Radio 3 as well as 4) and *Child of Our Time*, a series of plays built around the real experiences of children in troubled parts of the world.

Radio Five Live

Five Live, winner of two Sony Awards for sport, is an important part of the BBC's sports service for licence payers, and during the year key rights agreements were secured – notably Premier League football (three years) and Formula One motor racing (four years) – ensuring continued access to top-flight live sport for audiences across the UK.

The news-and-sport mix was at its best at the year's two big set pieces, the Euro 2000 football finals and the Olympic Games. The network also tackled serious topical issues, including homelessness, race and, following the murder of Sarah Payne, vigilante behaviour in Portsmouth.

Asian Network

This service of news, features, entertainment, music, religious and cultural programming for people of Asian background is expanding. It started life as a Midlands service in 1996, but is now being offered in Peterborough, South Yorkshire, West Yorkshire, Lancashire and Derbyshire and across the UK on satellite and the internet. A nation-wide digital Asian Network is one of the new services we are proposing (see pages 40 to 43).

BBC Proms

The BBC Proms had a record year. More than 115 works new to The Proms were played in 72 Proms and eight lunchtime concerts. Nearly 260,000 people attended. All the Prom Concerts were broadcast on Radio 3, and selected concerts were also shown on BBC Two and BBC One. Many were also streamed online. Events on the Last Night included *Proms in the Park* (London) and outdoor concerts in Birmingham and Liverpool. There were also links to live events in Hanover and Paris.

Increases in approval can be seen across most areas of the UK, especially in Northern Ireland and Scotland.

Approval of the BBC in the Nations and English Regions 1999/2000 and 2000/2001



Source: Pan BBC tracking study



BBC Radio Foyle was named Sony Station of the Year for the second consecutive year.

Karen Dunbar, the Poet Lady in BBC Scotland's *Chewin' the Fat*.



Nations and Regions

One of the BBC's prime responsibilities is to provide high-quality news, information and programmes of relevance to local, regional and national communities. In the past year the BBC's Nations and Regions division has done that with remarkable success.

BBC Scotland, BBC Wales and BBC Northern Ireland benefited in 1999 from a £21 million investment to meet the challenges of devolution, including coverage of the new Parliament and National Assemblies. There was also a new emphasis on regional news across the UK on television. This has borne fruit. Together, the regional television news programmes at 6.30pm now attract nearly 7 million viewers – more than any other news slot on British television.

Viewers also benefit from a seven-minute bulletin of local news after the 10pm national and international news. Other programmes for viewers in Scotland, Wales and Northern Ireland inherit a good audience at 10.35. *Chewin' the Fat* (Scotland), *The Exchange* with Huw Edwards (Wales) and *Spotlight* (Northern Ireland) have done particularly well, drawing audiences significantly above the network average for that time of the evening.

Radio in the Nations and Regions broke current audience records, achieving a 12.2% share of all radio listening at the end of the year (first quarter of 2001, age 15+). The number of people listening weekly rose by three-quarters of a million to 10.6 million.

BBC Scotland, Wales and Northern Ireland also offer programmes to the UK-wide networks which reflect local people, talent, culture and issues to a broader audience. When we fail to do so, appreciation of the BBC falls – as we have discovered in the North of England.

In the past year Scotland, Wales and Northern Ireland have delivered some notable successes – including *Ellen MacArthur: Sailing through Heaven and Hell* (from BBC Wales); *Castaway 2000* (Scotland); and *Patrick Kielty Almost Live* (Northern Ireland). Nonetheless, overall levels of network deliveries from both Northern Ireland and Wales were disappointing. From now on, a new commissioning process with minimum output guarantees will enable centres away from London to plan better and build for future success.

Nations' and regions' online services have come into their own, with a sixfold increase in traffic to local sites. Developments included the first local *Where You Live* sites in England. Thirteen had opened by the end of the year, and 37 more will follow in the next 18 months.



BBC Local Radio won praise for the service it provided to communities hit by floods last autumn.

*BBC Scotland's **Castaway 2000** accounted for 14 hours of television across the year, drawing an average audience of 6.2 million.*

BBC Scotland

As well as responding to the demands of devolution at home, BBC Scotland made a record contribution to the UK-wide networks.

Network contributions included *Monarch of the Glen*, *Two Thousand Acres of Sky*, *Tinsel Town* and, for children, *Hubbub* and *Barmy Aunt Boomerang*.

For the home audience, entertainment output on television increased to balance the higher level of political coverage. Popular successes were *Chewin' the Fat* (which also had a network airing), *Hoots* (a history of Scottish comedy), and *The Goalden Years* (sport/nostalgia), while live football and golf drew large audiences. Entertainment and drama in particular will be further enhanced as a result of new investment in Scotland in the current year. Plans include a bi-weekly television drama.

In news and current affairs, audiences for *Holyrood Live* increased during the year. But in a highly competitive market *Reporting Scotland* came under pressure, and its audience dipped at the end of the year.

By the year's end, Radio Scotland was the most listened-to station in Scotland. Radio nan Gaidheal broadened its schedule with the first Gaelic radio drama to be produced for many years.

BBC Wales

It was a transitional year, with some memorable highlights, for BBC Wales Television. The drama series *Belonging*, Owen Money's talent showcase *Just Up Your Street* and live Six Nations rugby matches improved significantly on network share. The BBC's Welsh language programmes were among the most popular aired on S4C – notably *Pobol y Cwm*. *Wales Today*, the evening TV news programme, continues to outperform its ITV rival, and *Dragon's Eye* has done well too. BBC Radio Wales was particularly strong in the morning with *Good Morning Wales* and *Roy Noble*, and overall performance, though variable, improved during the year. BBC Radio Cymru now reaches 42% of all fluent Welsh speakers – up from 36% last year.

Despite a disappointingly low level of network deliveries, there were some outstanding network television contributions from BBC Wales, including *Panorama – The Power to Abuse: Care*, a tough award-winning drama about abuse in children's homes, made in conjunction with BBC Drama, and *This Land*.

BBC Northern Ireland

BBC Northern Ireland provided authoritative and award-winning coverage in news and current affairs, significantly expanded its output in entertainment and documentaries, and provided outstanding radio services.

Radio Ulster with its opt-out, Radio Foyle, continued to be one of the highest performing stations in the UK, with a 37% weekly



Yachtswoman Ellen MacArthur's solo voyage was the subject of a BBC Wales documentary for BBC One.

Rebel Heart, made by BBC Northern Ireland for BBC One.



Jon Gaunt from BBC Three Counties Radio with his record-breaking three Sony Gold awards.

Radio Wales organised a day of music and events for a family audience at Cardiff Bay, marking Midsummer's Day, 2000.



reach and a 28.8% share. Radio Foyle, broadcasting in the North West of Northern Ireland, was named Sony Station of the Year in its category for the second consecutive year.

For the Northern Ireland audience, the current affairs programme *Spotlight* won Royal Television Society Awards for two of its investigations, *Life and Death of an IRA Quatermaster* and *Capitol Hill*. BBC Northern Ireland's *Newsline* succeeded in narrowing the gap with its main UTV rival, and political output expanded to cover the devolved Assembly and twists and turns in the peace process.

Fiche La Ag Fas, a television series about students learning Irish in Donegal, complemented Irish language radio output. A TV documentary for Ulster-Scots speakers is being made, and there are plans to pilot similar radio programming.

Network contributions included *Patrick Kielty Almost Live* and *McCready and Daughter* (both of which return with new series), *Rebel Heart* and *Ballykissangel*, in its final series.

English Regions

In a year marked by widespread domestic crises, the BBC's local and regional services in England performed particularly well. The ten regional television news programmes at 6.30pm have improved further on their position as the clear market leader over ITV's regional news, and audiences for the 39 local radio stations hit a new peak of over 8 million – some 21% of the

population. The value of these services is recognised by the BBC's promise to protect local radio budgets in the lifetime of the current Charter.

The first of the *Where You Live* local online sites also proved their worth in times of crisis. During the foot and mouth epidemic weekly page impressions to the new Devon site jumped by around 600% to well over 100,000.

In Blackburn, the pilot BBC Zone is opening doors to the community, offering local people multi-media learning opportunities in a relaxed setting. It is also the home of Radio Lancashire.

A new television news opt-out for the Oxfordshire area (from *South Today*) was launched last autumn, and opt-outs for viewers in East Yorkshire and Lincolnshire and further opt-outs for viewers in the Channel Islands will follow later in the year. There will also be two entire new daily television news services (for Kent/East Sussex and London) starting this year, replacing *Newsroom South East*. The new London television service will join the BBC's radio and online operations in Marylebone to form a unique tri-media service for Greater London. Strong links between the three services should help boost audiences for the radio station (relaunched last March), which were initially disappointing.



Andrew Marr has made politics more accessible on radio and television.



BBC News continued to perform well during the 6pm to 7pm news hour.

Early evening news viewing share 1998 to 2001

			%
BBC One	2000/2001		32.7
ITV	2000/2001		28.3
BBC One	1999/2000		33.5
ITV	1999/2000		28.5
BBC One	1998/1999		32.6
ITV	1998/1999		32.7

Source: BARB (excludes Christmas period)

Moving BBC One's late news to 10pm has paid off. Overall more people are now watching the news.



People turned to BBC News for coverage and analysis of events such as the Selby rail disaster.

News

Across the year BBC journalism and news-based programmes have been of the highest quality, and the BBC has reinforced its position as the UK's leading provider of broadcast news.

Andrew Marr has made a big impact on political analysis, and there has been significant investment in business and business journalism with the appointment of Jeff Randall, the BBC's first Business Editor. BBC programmes – notably *Panorama's* investigation of the Omagh bombing – and BBC journalists took top news awards.

There were gripping reports from John Simpson and Jacky Rowland on the fall of Slobodan Milosevic in Belgrade, and Ben Brown won a Royal Television Society Award for his coverage of the Zimbabwe farm invasions.

Kenyon Confronts (a new investigative series which drew the highest audience of any current affairs programme in the UK), and *Brits*, the final part of Peter Taylor's award-winning trilogy on the Northern Ireland conflict, were well handled, as were the sensitive months prior to the general election.

There were some editorial shortcomings. Coverage of the fuel crisis did not reflect the environmental dimension adequately and, for many viewers and listeners, European issues still seem impenetrable. But, overall, our programmes met the standards audiences expect.

The role of BBC News 24 is still challenged by some commercial news providers. The BBC believes it is essential in the multi-channel age for the national broadcaster to offer everyone in the United Kingdom a dedicated, valued and well-used news service on television. It was heartening therefore to see News 24 coming into its own this year. It measures up in terms of quality against any BBC service. BBC One now readily hands over to News 24 when big stories break, and the two channels have combined forces to deliver a single, enhanced breakfast programme. The average weekly reach of News 24 (excluding the breakfast programme shared with BBC One) rose to 8.4 million in March 2001, compared with 5.8 million in March 2000. This growth should accelerate as more people convert to digital.

The evening bulletins on BBC One, which now integrate news from the Nations and English Regions (see pages 17 to 19) with UK and international news, have been exceptionally strong. The decision to offer a full half-hour of news at 10pm on BBC One has stemmed the decline being witnessed in the earlier slot, and overall more people are now watching.



The BBC remained committed to covering international news such as the Zimbabwe election.



The foot and mouth story was broken by *Farming Today* on Radio 4.

BBC One moved its late news to 10pm in October 2000, followed by ITV in January. Combined news viewing has since increased significantly.

Combined audience to the BBC and ITV late news 1998/1999 to 2000/2001

		Average audience Millions
2001	BBC/ITV Ten O'Clock News (22 Jan-30 Mar)	10.2
1999/2000	BBC Ten/ITV late news (16 Oct-19 Jan)	8.4
1998/1999	BBC Nine/ITV late news (16 Oct-30 Mar)	8.1

Source: BARB

BBC news should appeal, in one form or another, to all of the adult population. However, gaps still remain – notably among ethnic minority groups and the young. We plan to fill some of these with news on new digital radio and television services. In the last year, however, Radio 1 has made headway with 15 to 24 year-olds by revamping *Newsbeat*, introducing more entertainment news, and offering a fresh take on politics.

Elsewhere in radio the *Today* programme brought Radio 4 listeners new voices and perspectives – for example an exclusive interview with disgraced gynaecologist Rodney Ledward – and Radio Five Live reinforced its reputation for strong news as well as sport.

In television current affairs, BBC Two's *Newsnight* is getting a better audience as a result of the new BBC One schedule (it follows the ten o'clock bulletin), but *Panorama* has lost viewers after its move from Monday to Sunday. However, the quality and impact of *Panorama* programmes over the year were sustained, and the BBC has reaffirmed its commitment to *Panorama*, increasing its budget by £500,000 in 2001/2002. Other strong current affairs programmes include *Correspondent* on television, and *File On 4*, *Analysis*, *Moneybox* and *Crossing Continents* on Radio 4.

With around 100 million page views a month, BBC News Online remains the UK market leader. The year saw some important successes, including interviews with Russian leader

Vladimir Putin and South Africa's Thabo Mbeki. Audio content has been enhanced with the introduction of a tailored news bulletin, updated hourly, which visitors can listen to at their convenience.

Use of the service is growing with page impressions at an all time high of 120.6 million in March 2001. However, as overall internet use grows, it will be important to raise the profile of BBC News Online which, unlike many rival services, does not appear on an internet portal (see page 22).

During the year there were tragic reminders of how perilous some war zones can be for our journalists. Abed Takoush was killed by an Israeli army tank while working with Jeremy Bowen in southern Lebanon, and World Service reporter Mayilvaganam Nimalarajan was murdered in Sri Lanka. The BBC is working with other broadcasters to minimise the risks facing reporters working in war zones.

BBC World

The BBC's commercially funded international television news channel, BBC World, and BBC News 24 have forged closer ties for the benefit of audiences at home and abroad. BBC World's presence across the globe facilitates access to stories. The channel now reaches 178 million homes worldwide, of which over 77 million have access 24 hours a day.

The total number of page impressions to our Online sites reached a new high in March 2001.

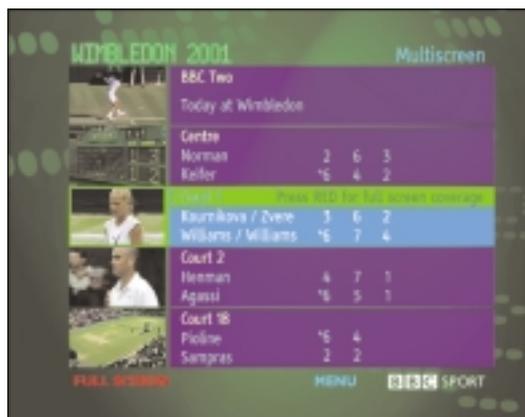
Monthly BBC Online page impressions 2000 to 2001

	Millions			
March 2001	169.5	25.1	15.1	127.7
March 2000	76.8	17.7	82.2	184.6

Source: Server logs

7.9

- News and Sport
- Education
- World Service
- Other BBC Online



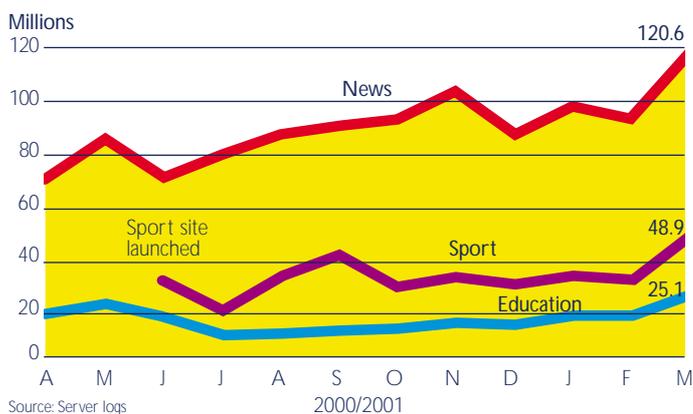
A choice of courts and players' statistics in interactive Wimbledon coverage.

There were over 120 million page impressions on BBC Online's News site in March 2001.



Page impressions for BBC News, Sport and Education Online reached new heights in March 2001.

BBC Online page impressions for News, Sport and Education 2000/2001



New Media

The day when audiences can take themselves on a trip around a virtual human body, construct their own stories using video and audio from the BBC's archives, and play online with 'creatures' that have artificial intelligence, may not be far away.

The BBC's New Media division is exploring a number of interactive possibilities for viewers and online users. It tested new television techniques at the 2000 Wimbledon and Open golf championships, and will offer full interactive coverage of Wimbledon 2001 to more than 6 million digital homes.

It has also developed and launched digital Text, bringing together features of teletext and the internet. The service is now available on most digital television platforms, and we expect that in time it will be as widely used and valued as Ceefax and BBC Online.

The New Media division is also sustaining an established and well-used information service in BBC Online, which has been enhanced significantly. It now offers a dedicated sports site – a major hit, attracting nearly 49 million page impressions a month in its first year – and a service of audio news, updated hourly.

The History site, which recognises a growing interest in the subject, complements and enhances series such as *A History of Britain*, *What the Romans Did for Us* and *Timewatch*, while relaunched sites for the radio networks are giving an extra dimension to the programmes on air. And increasingly, BBC Online is providing educational content for people of all ages (see opposite).

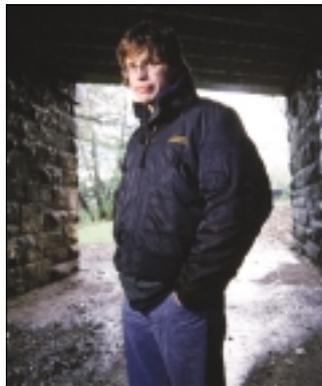
After high start-up costs four years ago, BBC Online is becoming better value for money as the editorial process becomes more efficient and the number of users grows. The number of people now visiting BBC Online has grown by 29% over the year to 4.9 million a month. That is a remarkable achievement considering that BBC Online is not a portal (which means most internet users get first sight of rival news and sports links offered on the home pages of their internet service providers). We know from our research that this success is due to the depth of information and user-friendliness of the BBC sites. However, although BBC Online has the highest reach of any content site in Europe, its share of the growing market has remained static. The challenge is to ensure that BBC Online is as visible as the portal-based services offered by rival providers.



The Battle of Hastings, circa 2000. A re-enactment for A History of Britain.



Education online: AS Guru helped pupils study for the new post-GCSE exam.



Black Dog on BBC One, part of the On the Edge season, dealt with depression. BBC Online offered information and advice about mental health.

Education

One of the BBC's most striking series in 2000/2001 was the award-winning *History of Britain*, a landmark project which took five years to bring to the screen.

The fact that it was largely funded from the BBC's education budget reflects the emphasis the BBC places on the educative potential of programmes of all kinds. A new internal structure in the Factual and Learning division places education specialists close to the commissioners of news, entertainment, drama, factual and children's output. More and more programmes are helping people to pursue, primarily through BBC Online, interests that have been kindled in the schedules. Earlier this year, for example, there were more than 800,000 visits to the *Get Confident* website after *The Confidence Lab* went out on BBC Two, and more than 22.2 million to the *Webwise* (internet skills) site.

In the last 12 months BBC Education has targeted specific audiences and needs. Radio 1's *Essentials* campaign advised 16 to 24 year-olds on exams, drugs, sexual health and relationships, while BBC One and Radios 1, 2 and 4 explored mental health in the *On the Edge* season. Around 8% of *On the Edge* viewers visited the BBC Online health site.

As the year closed, plans were in hand for 'learning journeys' to help people find out more about history (tied to *A History of Britain*); first aid (999); and marine ecology (the forthcoming *Blue Planet*).

The BBC continued to deliver structured learning in its schools and revision material. *AS Guru* was created, enabling pupils to study for the new post-GCSE exam, and in addition to *GCSE Bitesize*, there are now revision facilities for 12 to 14 year-olds (*Key Stage 3 Revision*) and primary schoolchildren (*Revisewise*).

The BBC also hoped to achieve greater steps towards a UK-wide digital schools curriculum this year but we still await a decision on our proposals. The results of our consultation (see page 33) last autumn reflected strong support for a service covering all main school subjects for children of all ages and abilities. We recently responded to the DfEE's public consultation on a comprehensive online curriculum service. The BBC is committed to working with others to ensure that this vision is delivered. The Government has acknowledged the advantages of the BBC playing a central role in the delivery of such a service, and has endorsed the quality of the BBC's digital curriculum materials in a separate competition for the provision of resources in support of six GCSE subjects.

Review of the Year: Commercial Services



We continued to generate additional income from BBC Worldwide Limited.

BBC Worldwide Limited cash flow to the BBC 1998 to 2001

	£m
2001	96
2000	82
1999	81
1998	75

Anne Robinson's success in *The Weakest Link* took the programme from BBC Two to BBC One and then across the Atlantic.

S Club 7 were a strong international hit for BBC Worldwide.



BBC Worldwide Limited

BBC Worldwide Limited has achieved a sales increase of 14%, outperforming the industry sectors in which it operates, and beating the financial targets on sales, profit and cash flow set by the BBC.

Sales – that is group turnover, including joint ventures – were up 14% (£73 million) on last year's record results. Total sales were £587 million, more than double the sales of six years ago. Record profits stood at £23 million – up 170% on last year. The company is performing ahead of plan and on track to deliver on its targets.

Cash flow contribution to the BBC was £96 million, up £14 million from last year's contribution of £82 million, itself a record.

BBC Worldwide's strategy focuses on exploiting brands on a multimedia, multi-territory basis. Our global brands (eg *Teletubbies*, *Tweenies*, *Top of the Pops*, *Walking with Dinosaurs*) now yield an increasing percentage of our business. Overseas business now accounts for 42% of all our business.

New business

BBC Worldwide's strategy is to seek private sector partnerships

on a business-by-business basis. As a result, beeb Ventures Limited was formed after US-based technology investor TH Lee agreed to invest £32.5 million to acquire a minority stake in BBC Worldwide's internet operations. BBC Worldwide and Canadian entertainment company Alliance Atlantis Communications Inc. formed a joint venture and were awarded licences to create two BBC-branded digital television channels in Canada. A deal with US-registered company Knowledge Chase saw the sale of BBC Worldwide's BBC for Business unit into a partnership structure.

BBC Worldwide also made its first significant acquisitions in a number of years, with the purchase of the audio business Cover to Cover Cassettes Limited and the magazine *Gardens Illustrated*, complementing existing businesses in these sectors.

BBC Worldwide and Universal Music International entered a new licensing agreement to increase distribution and marketing of the BBC's children's music properties.

Awareness

Awareness of the BBC brand around the world increased from 78% in 1999 to 85% in 2000. In the US, awareness was up from 77% to 91% (source: Buckingham Research Associates 2000).

Video-on-demand and new media

BBC Worldwide has been an early mover in commercial video-on-demand services and we are also the UK's leading non-film DVD distributor.

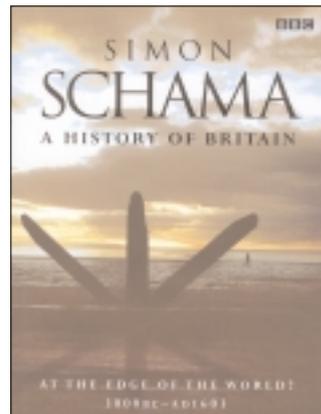


The *Tweenies*' success continued across a wide range of media including books and live shows.

We generated record profits from BBC Worldwide Limited for 2000/2001 of £23 million – up 170% on last year.

BBC Worldwide Limited profit before interest and taxation

	£m
2001	23
2000	9
1999	20
1998	14



Simon Schama's *A History of Britain* featured in the best-seller lists.

Business highlights

Television

UK TV export figures released for 2000 by the British Television Distributors' Association showed total exports of £378 million, 5% up on industry figures year on year. During the same period BBC Worldwide's exports increased by 21%, from £171 million to £207 million – contributing 55% of the UK's total TV exports.

The Weakest Link is an international success. The UK production team is working with broadcasters in 40 countries to create local versions of the show.

Other strong sellers included *S Club 7*, *Top of the Pops* and the major new drama, *The Lost World*, a co-production with A&E. *The Lost World* has been pre-sold to RTL Germany, TF1 France, ABC Australia and TVNZ in New Zealand ahead of UK transmission.

A major first was a commission to produce *Ji Mantriji* – an Indian version of *Yes Minister* and *Yes Prime Minister* – in Hindi, made in India for broadcast on Star TV.

Children's

It was another record year for the children's portfolio, which includes *Teletubbies*, *Tweenies*, *Bob the Builder* and *Noddy*. *Teletubbies* has generated more than £116 million revenue since launch. *Tweenies* has been successful across a wide range of media from books to live shows.

Channels

BBC Worldwide is the UK's largest international channel provider. Its channels now reach more than 365 million homes globally, an increase of nearly 20% on 1999/2000. Channel launches included Animal Planet in Japan. BBC World, an increasingly valuable asset, increased airtime sales by 41% and reduced its losses substantially from £18.3 million in 1999/2000 to £11.4 million in 2000/2001.

Magazines

Three major titles were launched: *BBC History Magazine* (the best-selling history magazine in the UK); the women's title *eve*; and teen title *star*: *the celebrity magazine*.

Radio Times remains the UK's most profitable magazine – and this was its most profitable year ever.

Books, video, DVD

Four out of the *Sunday Telegraph*'s top ten best-sellers of 2000 were BBC Worldwide books – Delia's *How to Cook: Books One and Two*, Simon Schama's *A History of Britain* and Terry Wogan's *Is it me?* Three out of the *Sunday Times*' 2000 top ten best-sellers list – which excludes cookery books – also went to BBC Worldwide books (*Is it me?*, *A History of Britain* and *Steve Redgrave: A Golden Age*).

Audio

Eight out of the UK's top ten spoken word titles for 2000 were from the BBC *Spoken Word* catalogue.



BBC Resources created a stunning range of special effects.



Footwear from the Costume and Wigs store which holds more than 500,000 costumes.



BBC Resources Limited

Supporting our production and broadcasting operations effectively in a fast-changing industry has proved particularly difficult in a year of change across the industry. A downturn in the studio market has resulted in an £11.5 million loss, after restructuring costs.

BBC Resources Limited has been restructured into a smaller, more focused business. A new commercial subsidiary, BBC Technology Holdings Limited, has been created.

The changes will ensure that BBC Resources and BBC Technology can operate profitably, helping the BBC meet tough financial targets (see pages 56 to 57) and bring in money to fund programme making.

BBC Technology brings together the broadcast technology services already successfully trading within BBC Resources, with the IT and internet support provided to the BBC from the former Distribution and Technology division. It will offer services and expertise to external customers, as well as in-house departments. BBC Technology began trading as a wholly owned subsidiary on 31 March 2001.

As of 1 April 2001 most resources in the Nations and English Regions were transferred from BBC Resources to the Nations and Regions division in the BBC, and a number of other services (such as facilities and property management) moved into the BBC's new professional divisions. The remaining businesses in BBC Resources continue to support BBC programme makers and serve external customers.

In December, design units in London, Bristol, Birmingham and Belfast were brought together into one business and renamed BBC MediaArc. As well as supporting BBC programmes, BBC MediaArc will build on existing on-screen branding and graphics work for commercial clients, along with the corporate sector interactive design contracts it has already won from clients such as HSBC, Royal Britannia and OnDigital.

Changes in production requirements have led to significant over-capacity in BBC and commercially-owned studios outside London, and we were forced to close our studios at Pebble Mill. In Manchester the BBC and Granada Media created 3sixtymedia, a joint venture which merged the two companies' studio and post-production businesses. This enabled us to close our Manchester studio, while safeguarding facilities for locally made BBC programmes such as *A Question of Sport*.

Review of the Year: BBC World Service

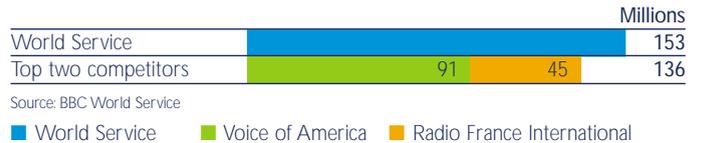


The earthquake in India was a major story for the English and language services.

Yugoslav police storm the home of Slobodan Milosevic after he was overthrown.

BBC World Service achieved its highest-ever audience with 153 million listeners each week.

BBC World Service audience 2001



BBC World Service

In a year of outstanding performance, BBC World Service achieved its highest-ever audience figure – 153 million weekly listeners. All 43 language services are now present as online audio services on the World Service site, and use of the site has increased by 62% compared with last year.

Gains across Africa and the Middle East were the foundation for overall audience growth, more than offsetting losses in Russia and Pakistan, where competition is growing.

World Service achieved its target of being present on FM in 120 capital cities of the world. This represents 62% of all capital cities. The aim is to be present on FM in 70% by the end of 2003/2004.

Internet growth exceeded targets, with nearly 40 million page impressions per month being achieved for the World Service/World News sites. During the year, world-class sites in Russian and Spanish were launched, joining Arabic and Chinese. The Arabic site saw an explosion in growth to nearly 4 million page impressions a month. The Chinese site also exceeded its growth target.

Creatively, it was also an impressive year, with outstanding coverage of key news events such as the fall of President Milosevic, the Middle East peace process, the US presidential race and the Indian earthquake. English and the language services combined to provide landmark programming on the international drugs trade, Aids in Africa, and human rights.

The English service was relaunched successfully in April, increasing the number of tailored streams across the world from three to eight, and providing a 24-hour news and information stream of programmes for rebroadcasters which is also accessible on the internet.

World Service achieved a positive outcome from the Government's Spending Review for 2001–2004. An extra £64 million was awarded over the three years, representing an average 3.8% real terms annual growth. The new money will enable it to enhance eight major language online sites, to expand its FM presence, and to improve audibility across the Middle East, the Gulf and South Asia by upgrading the transmitter sites at Cyprus and Singapore.

BBC Monitoring has expanded its electronic delivery and its online services and products. It too will receive additional funding of £5 million for 2001–2004. This will enable it to develop its capability for key stakeholders – the Foreign and Commonwealth Office, the Ministry of Defence, World Service and other customers.

Review of the Year: Performance against Objectives

The Governors set 12 objectives for the BBC for 2000/2001

Develop proposals to deliver our core purposes of creativity, citizenship and learning in the digital age.

This objective was met.

Make a major step forward in implementing the new education strategy.

This objective was met in part.

Strengthen BBC One, as well as its core TV and radio services, with a particular focus on offering a richer mix of content.

This objective was met in part.

Demonstrate improved services to the whole of the UK as part of the BBC's ongoing response to devolution.

This objective was met in part.

Make substantial progress in interactive/online services, including launching new online offerings for sport, A-levels and the arts.

This objective was met.

Deliver greater value for money for licence payers year on year through increased efficiency and more effective commercial activities.

This objective was met.

Develop an effective policy for sports coverage at an affordable cost.

This objective was met.

Ensure we serve and are valued by currently under-served audiences, particularly the young and minority ethnic audiences.

This objective was met in part.

Improve our openness and accountability to all stakeholders.

This objective was met.

Move towards our long-term goal of increasing the percentage of licence fee income spent on content and services from 76% to 85%.

This objective was met.

Improve diversity internally to 10% of staff from minority ethnic backgrounds by the end of 2003, with an increase from 2% to 4% at senior management levels.

This objective was met in part.

Drive a change in BBC culture to generate greater collaboration and creativity.

This objective was met.

Performance against Objectives

Every year the Governors are required to set objectives for the BBC, publish promises about BBC programmes, services and policy, and report on subsequent performance.

In the *Annual Report* for 1999/2000, the Governors set 12 objectives, from which four promises to licence payers were drawn (see panels above). The Governors are broadly satisfied with the progress the BBC has made in a year of transition. Seven objectives were met in full this year, and there is tangible progress towards the BBC's long-term goals. However there are five areas where more progress should have been made during the year. Our performance against the objectives, set last year, is summarised below.

Develop proposals to deliver our core purposes of creativity, citizenship and learning in the digital age

This objective has been achieved, but it is frustrating that implementation of many of the proposals has been delayed. As we report on pages 40 to 43, plans for new digital radio and television services, allied closely to BBC Online and offering interactivity, are fully developed. The funding was agreed in the licence fee settlement announced 18 months ago, and we have carried out several public consultations about our plans – most recently in October. The results were overwhelmingly

supportive. Progress has been slowed by objections to some services from commercial interests, but we hope the Government will give the go-ahead very soon.

The experimental BBC Zone at BBC Radio Lancashire in Blackburn encourages citizens to create community radio and online services, and pursue learning on the internet. If it succeeds, we hope there will be many such centres across the UK.

Make a major step forward in implementing the new education strategy

This objective has been met in part. The strategy has two parts: learning journeys for people of all ages and a digital curriculum for school pupils.

The BBC has delivered its first 'learning journeys' for adults (see page 23), and more such journeys are emerging. But plans for a full digital curriculum have not yet been realised, despite strong public support (see page 33) in a BBC consultation exercise in October.

Strengthen BBC One, as well as all core TV and radio services, with a particular focus on offering a richer mix of content

Good progress. This can be seen in the review of services (pages 10 to 23). Strengthening services and developing new programmes takes time, so this is a long-term objective.

Promises to licence payers 2000/2001

The Governors drew four Promises from the objectives:

We promise to spend more of the licence fee on programmes	We increased the percentage of licence fee income spent on programmes from 76% to 81%, and are on course to achieve 85% by 2004.	This promise has been kept.
We promise a richer mix of TV and radio programmes for everyone	We have made progress. We have discovered new writers, performers and presenters through BBC Talent; we experimented with new ideas in drama and entertainment; we are doing more to serve the different people and cultures of the BBC; we have brought more programmes made by BBC Scotland, BBC Wales and BBC Northern Ireland to a UK audience. We have offered new children's programmes on our mainstream television channels.	This promise has been kept in part.
We promise you more on BBC Online	We have launched new sites on sport, lifestyle, the arts, religion and A-level studies. We have created more opportunities for online learning linked to programmes, including health, work skills, history, science and leisure. And we have launched new city and county sites offering local news, sport, travel and weather information.	This promise has been kept.
We promise to make the BBC more open and accountable to you	We have given clear and honest answers when questioned about our programmes and policies. We have explained how decisions are made. We have taken more account of audience concerns, on matters such as changes to advertised schedules – a major cause of complaint to the BBC.	This promise has been kept.

An extra £89 million was spent on programming for BBC One this year, including the Olympics. BBC Two has also been strengthened – for example the *History Zone* was moved to Friday evenings, where it drew a bigger audience than the *Comedy Zone* it replaced – as have the radio networks. Radio 2 and Radio 3, for example, have broadened the appeal of their services with new talent and greater variety.

The BBC has also experimented with new ideas, especially in drama and entertainment. Innovations included the ten-minute comedy series, *Marion and Geoff*, on BBC One; *The Wire*, a run of plays from new writers on Radio 3; and *Jetset*, a new format for the National Lottery Draw. Children's output has been strengthened with the scheduling of *Blue Peter* before *Newsround* and new programmes such as *Exchange*, encouraging children to make good use of their time during holidays.

Radio 4 has brought back children's radio after a ten-year absence with the launch of *Go 4 It!*, which uses child reporters, and Radio 3 has collaborated with *Blue Peter* on *Making Tracks*, a music programme for children.

Demonstrate improved services to the whole of the UK as part of the BBC's ongoing response to devolution

This objective has been met in part, with significant progress in the Nations. BBC Scotland, BBC Wales, BBC Northern Ireland and the English Regions provided a diverse and well-received mix of programmes on BBC network television

(see pages 17 to 19). Significant improvements are in the pipeline for the coming year.

BBC radio services for audiences in the Nations and BBC Local Radio in England did well, with the highest share of audiences recorded (12.2%), and a total of 10.6 million listeners.

The first 13 *Where You Live* sites (see page 19) were launched across England during the year.

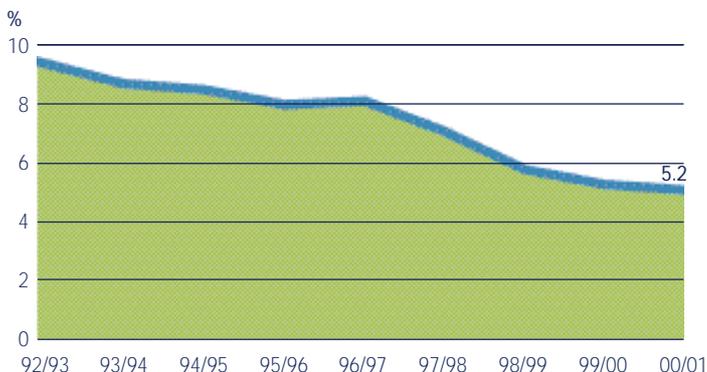
Overall audience approval for the BBC's services across the Nations and English Regions has risen compared to last year. However, in England the BBC continues to underperform in the North.

Make substantial progress in interactive/online services, including launching new online offerings for sport, A-levels and the arts

This objective was met. Interactive coverage of tennis and golf was piloted in 2000, enabling the BBC to offer digital viewers comprehensive interactive coverage of Wimbledon 2001. BBC Sport Online was launched in July, ahead of the Olympic Games; the *AS Guru* site for A-level students was launched in November; and an Arts site has been developed, including arts news, reviews, a picture gallery and programme information. There were also new Gardening and Food sites, enhancements to the Health site (including the extremely popular *Get Confident* site), and a redesigned History site. The new *Webwise*

Licence fee evasion fell to a new low of 5.2% (using DCMS definition).

Licence fee evasion 1992 to 2001



We continued to exceed our 8% minimum target for minority ethnic staff across the BBC.

Proportion of people from ethnic minorities in the BBC workforce 2000/2001

	Target	2001 %	2000 %
All BBC	8	8.4	8.2
London Home Services†		9.4	9.2
World Service (UK)		27.4	26.8
Scotland*	2	1.2	1.2
Wales*	2	1.5	1.1
North*	4	4.1	3.6
South*	4.7	3.5	3.4
Midlands and East*	6	7.1	7.0

Source: BBC HR Management Information
 † Includes London-based Resources Limited staff.
 * Includes Home Services staff and Resources Limited staff based in the Nations and Regions.

Care – an award-winning film about abuse in children's homes, made in a collaboration between BBC Drama and BBC Wales.



learning journey offers new work skills, and the science site has been enhanced with new *Human Body* and *Tomorrow's World* sections. For communities across England, 13 city and county news and local information sites across England appeared.

Deliver greater value for money for licence payers year on year through increased efficiency and more effective commercial activities

This objective was met. Following the licence fee settlement 18 months ago, the BBC set a savings target of £166 million per annum by the end of 2003/2004. It is on course to achieve this. The proportion of licence fee income now spent on programmes has increased. In the year, the BBC made £45 million of savings, for example by cutting its spending on consultants from £19 million to £4 million.

BBC Worldwide Limited exceeded sales, profit and cash flow targets (see pages 24 to 25).

Develop an effective policy for sports coverage at an affordable cost

This objective has been met. The first steps were taken in the second half of this year, following the appointment of a new Director of Sport, Peter Salmon. A new strategy was developed, putting emphasis on live sport, main events, football, creativity and collaboration with events organisers and the owners of sports rights. The Governors will review the success of this strategy over the coming year.

Over the year, the loss of the Premier League highlights on TV was a major blow to our aspirations. However, rights to the FA Cup Final and England football internationals were secured, along with the high-profile return of boxing to the BBC. BBC Radio retained some major rights, including securing the Premier League rights for another three years.

Ensure we serve and are valued by currently under-served audiences, particularly the young and minority ethnic audiences

Progress was made towards achieving this long-term objective. The *BBC Listens* project (see pages 34 to 36) invited the views of young people and minority ethnic groups over the year, and the BBC has worked to improve services to these audiences. For example, Radio 1 is more focused on its target audience (15 to 24 year-olds) than previously; Radio 3 developed *Making Tracks*, a daily programme of music for children coming home from school; and the transmission area of the Leicester-based Asian Network was expanded. It now covers more of the Midlands and North and reaches nearly one million Asian adults. But plans to serve these audiences better include new programming on new digital radio and television services. The BBC was unable to launch these services in 2000/2001 as it had hoped (see page 28).

In audience terms, approval amongst ethnic minorities strengthened for BBC One and BBC Two in the second half of the year. BBC One's share of ethnic minority audiences fell slightly (but it fell less than the all-audience average) while

BBC Two's share increased. Among younger audiences, BBC One's share fell, although the drop was less significant than for ITV. BBC Two increased its share slightly amongst 16 to 34 year-olds.

Improve openness and accountability to all stakeholders

This objective was met. The BBC has taken a number of steps to improve openness and accountability (see pages 32 to 36). It has done more to explain schedule changes (the biggest single cause of complaints to the BBC), and where possible the networks have immediately announced new slots for programmes displaced by sport or breaking news. There was also a greater readiness to admit mistakes – for example over the BBC's decision not to cover the Queen Mother's 100th birthday pageant.

The BBC made more face-to-face contact with licence payers than ever before. Thousands responded to the *BBC Talent* campaign (see page 34) and many more visited the BBC's travelling *FutureWorld* exhibition, to learn how new technologies such as digital and the internet will impact on people's lives.

The Governors also conducted a number of public consultations, sounding out particular audience groups, and seeking views about proposals for a digital curriculum from the BBC, and for new digital services (see pages 32 to 36).

The Governors see greater accountability, particularly against the background of changes in the way the communications industry is regulated, as an ongoing challenge for the BBC.

Move towards our long-term goal of increasing the percentage of licence fee income spent on content and services from 76% to 85%

This was met. The target date for achieving this objective is now 2004. In 2000/2001 the proportion of licence fee income spent on programmes rose from 76% to 81%, and we expect that to rise to 83% in the current year. So this is excellent progress.

Improve diversity internally – to 10% of staff from minority ethnic backgrounds by the end of 2003, with an increase from 2% to 4% at senior management levels

The BBC moved in the right direction on this objective, but progress towards the targets is slow. The percentage of staff from minority ethnic backgrounds rose from 8.2% in March 2000 to 8.4% in March 2001. The percentage of staff from ethnic minority backgrounds in senior management roles rose from 2.2% in March 2000 to 2.6% in March 2001.

Staff initiatives included *Ascend*, a unique development opportunity for ethnic minority staff, and the *Extend* scheme which is designed to open up the BBC as an employer for people with disabilities.

Drive a change in BBC culture to generate greater collaboration and creativity

This objective has been met. The Director-General's plan for 'One BBC' aimed to foster a sense of common purpose in delivering outstanding programmes and services. A new structure has brought commissioners and programme makers closer together, and that is being further encouraged by a new commissioning process, designed to bring out creative ideas and deliver the best results.

The plan includes minimum output guarantees for in-house departments, which should give them confidence and enable them to plan and build their capability to supply existing and new services.

It is still too early to see significant benefits in the schedules, but the signs are encouraging. Internal surveys show improvements in morale among staff and in internal communication, and departments have collaborated well – not least in delivering a new 10pm news bulletin on BBC One at very short notice.

Upholding editorial standards

The Governors ensure that the BBC maintains high editorial standards. They monitor its compliance with the *BBC Producers' Guidelines* and with the Code on Impartiality and Accuracy included in them.

Overall, they were satisfied that in 2000/2001 the BBC had met the standards expected of it, despite a considerable number of controversial programmes – ranging from *Care*, *Rebel Heart* and *Last Resort* to *Panorama* on the Omagh bombing and *Newsnight* on family sexual abuse. The BBC had also complied with its impartiality obligations under the Code on Impartiality and Accuracy.

The Board highlighted two areas for attention in the year ahead – the increase in surreptitious recording and the use of 'real life' stories and individuals in drama. They stressed that surreptitious recording was an invasion of people's privacy; the BBC had to be sure its use was justifiable and that increased use did not devalue it as a journalistic tool. The use of real life situations and characters in drama also required a high level of editorial supervision and care.

Accountability

The BBC's licence fee funding gives it a special responsibility to be accountable to its audiences, to listen and respond to their views and concerns, and to keep them informed about services and plans. We continually look for ways of doing this better, and one of our objectives in 2000/2001 was to improve the BBC's openness and accountability.

We have taken steps to improve the transparency of Governors' activities. Last year's *Annual Report* set out the criteria by which BBC public services are assessed. This year's *Annual Report* is based on those criteria, which are listed on page 9. Over the year, we also published the Board's Standing Orders online and a monthly summary of business taken at Governors' and Broadcasting Council meetings. The Governors also strengthened their dialogue with the Broadcasting Councils and the English National Forum (see pages 37 to 38) with meetings to discuss the developing vision for Nations and Regions and consultative seminars on key strategic issues.

A review of existing accountability activities led to a new approach to our reporting to licence payers – this year, as well as the *Annual Report and Accounts*, we are publishing a separate *BBC Review of the Year* which accounts to licence payers for programme performance and value for money. We will pilot other ways of reporting to licence payers over the coming year.

We took a new look at our understanding of accountability and how to deliver it. A Governors' seminar heard from a range

of others with experience in accountability and customer relations. A new approach to a public event was tried out with the Governors' seminar with young people (see page 36). Next steps will include piloting new approaches to deliberation and consultation.

These pages summarise the many activities we have undertaken over the year under the following headings:

- accounting to Government, Parliaments and Assemblies;
- formal public consultations;
- listening to audiences;
- complaints handling; and
- accessibility.

Getting maximum value from these activities remains a priority.

Accountability to Government, Parliaments and Assemblies

In line with established practice, the BBC Governors held two formal meetings with the Secretary of State for Culture, Media



The BBC Listens events (left and right) allowed audiences to let the BBC know what they thought of our programmes. The review with 16 to 24 year-olds used workshop sessions and studio discussions chaired by Jamie Theakston (right) to learn what people in this age group think of the BBC.

and Sport last year – one in the spring, to discuss the BBC's performance over the preceding year, and one in the autumn to discuss future strategy.

The BBC is accountable to the Westminster Parliament. The *Annual Report* is laid before Parliament and since 1999 the Culture, Media and Sport Select Committee have taken up the BBC's offer to appear before them to discuss the report shortly after publication. The BBC also provides regular briefings to Parliamentarians on a wide range of BBC issues.

Broadcasting regulation is a 'reserved power', in other words it is not devolved to the Scottish Parliament, the National Assembly for Wales or the Northern Ireland Assembly. We recognise, though, that expectations of the BBC are high in Scotland, Wales and Northern Ireland, particularly in the context of devolution and political change. The BBC has therefore taken active steps to keep members of the devolved institutions informed about its policy, its services and future strategy.

In February and March 2001, the Controller BBC Scotland met with MSPs from all parties to deliver information about the context in which the BBC is operating and the opportunities afforded by digital technology. BBC Wales gave evidence twice to the Post 16 Education Committee – in May 2000 during its strategic policy review of Arts and Culture in Wales, and in June as part of its process of debate on the findings of the Commons Select Committee Report into 'Broadcasting in Wales

and the National Assembly'. The BBC also gave evidence to the Welsh Affairs Select Committee's inquiry, 'Wales and the World'.

Formal public consultations

Under its Charter, the BBC must undertake an appropriate process of public consultation prior to making any material change to the nature of its public services and before seeking approval for new services.

Digital curriculum consultation

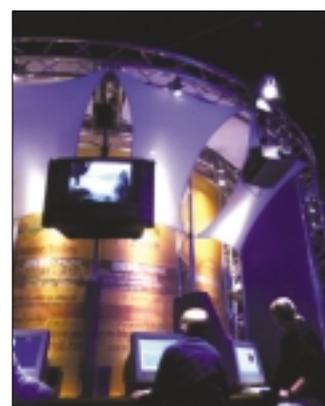
The BBC consulted the public on its plans for a digital curriculum – an interactive online service for pupils and teachers across the UK. The proposed service, which requires Government approval, is described in more detail on page 42.

The consultation ran between 11 September and 20 October 2000 and was trailed on television. The consultation document was available on the BBC's public website and on request by post. It was also sent to a range of organisations and individuals with an interest in education and/or broadcasting.

1,336 responses were received, 40% of these replying on behalf of an organisation; 88% of respondents supported the BBC's plans.

In a separate development, in April, the Department for Education and Employment launched its own consultation on a comprehensive online curriculum service. This acknowledged

The BBC's FutureWorld hands-on exhibition travelled to nine locations round the UK giving more than 750,000 visitors free access to digital and online technology.





Steady progress is being made towards minimum 2003/2004 targets for minority ethnic staff across all grades including senior manager level.

Diversity: proportion of people from ethnic minorities in the BBC workforce March 2000/2001

		Target 2003/2004	%
All BBC	2001	10	8.4
	2000		8.2
Senior manager grades	2001	4	2.6
	2000		2.2

Source: BBC HR Management Information

The BBC took part in the India earthquake emergency appeal (see page 39).



In 2000/2001 the BBC conducted its biggest-ever trawl for writers, performers and composers. Through BBC Talent some 11,000 people had screen tests to become television presenters, and 16,000 applied to become a Radio 1 DJ. As a result there are many new faces and voices on BBC programmes, including David Bromfield on Tomorrow's World.

the central role which the BBC could play and sought views on a range of options. The BBC was due to submit its response before 1 July 2001.

New services consultation

This consultation ran from 3 October to 17 November 2000. There were 6,768 responses, the highest ever for a formal BBC consultation exercise.

The proposals for new digital television and radio services are given on page 42. The public gave a strongly positive response to them:

- 73% of respondents thought that the proposed television services would be a valuable addition to the BBC's range;
- 70% thought the same for radio.

In parallel, we asked the British Market Research Bureau (BMRB) to run the same survey using a representative sample of the UK public, to make sure that the consultation gave a fair reflection of the views of people around the country. The results of the survey were even more positive about BBC proposals.

After the BBC submitted plans to the Secretary of State for Culture, Media and Sport in January, the DCMS ran its own consultation up to 28 February 2001. At the time of printing the BBC was awaiting a response to the proposals.

Listening to audiences

The BBC Listens provides an ongoing review of BBC programmes and services from the point of view of audiences. Each year we invite their views on specific topics via *The BBC Listens* online site (www.bbc.co.uk/info/bbclistsens) and public meetings. For each topic, the BBC also sets up a panel of independent advisers to review relevant output. What we learn is reported to the Executive Committee and Board of Governors, along with a summary of relevant audience research, and feeds into programme planning.

The Governors also hold regular seminars to debate current broadcasting issues with people outside the BBC who have a particular interest or expertise in the topic. When appropriate these seminars complement a *BBC Listens* review.

In the last year we tackled the following topics:

Cultural diversity

We reviewed the BBC's representation of and service for the UK's diverse ethnic cultures and communities.

At public meetings in Hackney and Bradford and in e-mail responses, people expressed disappointment in the BBC's coverage of the experiences and contribution of minority ethnic communities. They were critical, for example, of the portrayal of Islam and Muslim communities, particularly in news programmes; the lack of credible minority ethnic characters in



*Blue Peter presenter
Konnie Huq.*



*Jonathan Overend, one of Radio
Five Live's sports reporters.*

*Appealing more to young
people is a priority for the BBC.
BBC Choice's youth interview
show, *Pass the Mic*, allowed
young people to seize the reins.*

mainstream programmes; and the failure to include black and Asian contributors in factual and lifestyle programmes. More positively, the quality of the World Service and children's programmes was welcomed, particularly the presence of Konnie Huq on *Blue Peter*.

Recommendations from the review included regular portrayal monitoring and making diversity awareness a key competency for all programme makers.

Building on *The BBC Listens* exercise, the Governors debated these issues with an audience of about 200 people. Again points raised included the lack of contributors from minority communities in news and factual programmes; praise for *Goodness Gracious Me* but criticism of the lack of representation of people from ethnic minorities in drama and entertainment overall; calls for the BBC to improve the recruitment and development of staff from ethnic minorities; and the need for us to build better links with minority ethnic communities.

Six months on, the BBC's Head of Diversity, Linda Mitchell, reported to senior management and the BBC Governors on progress in responding to these points. BBC News, for example, is working on the need to diversify its pool of experts and contributors while BBC Drama has invested more in writing initiatives and acting workshops to attract new minority ethnic talent. A trainee runners scheme in Drama Series is planned; BBC Sport is to train 12 minority ethnic journalists; 20 new

community affairs posts have been created by the Nations and Regions division; extra funding has been allocated to support diversity initiatives; and action plans have been drawn up across the UK to achieve employment targets.

The independent advice panel members: Baroness Flather, Mr Khurshid Drabu, Ms Rasheda Ashanti and Mr Alby James.

BBC Radio Five Live

This review built on a *BBC Listens* review of Radio Five Live in 1997. There was an enthusiastic e-mail response from listeners. This included 180 comments and questions to the Controller, Bob Shennan, who was interviewed on air and online as part of the consultation. A public meeting was held at the JJB Stadium in Wigan.

Radio Five Live's overall style, tone and output were much appreciated. Concerns included the dominance of football at the expense of other sports coverage. Some felt the news coverage was lightweight at times and there was regret at the loss of the satirical programme *The Treatment*. Other issues included complaints about the poor quality of Medium Wave reception.

The independent advice panel was highly supportive of Radio Five Live's approach, though it, too, suggested that more could be done to expand the range and scope of sports coverage.

Accountability

In response, Radio Five Live has made a commitment to increase the range of sports covered in *Chiles on Saturday* and *Sport on Five*.

The independent advice panel members: former Scotland football international Pat Nevin, Paralympics gold medallist Tanni Grey-Thompson, economist Bridget Rosewell and journalist Gary Younge.

The BBC and 16 to 24 year-olds

This *BBC Listens* review provided an opportunity to hear from 16 to 24 year-olds about BBC Television – and what they would like to change – while a Governors' seminar took the debate wider, hearing from people in this age group what public service broadcasting meant to them.

There was an enthusiastic response to *The BBC Listens* online invitation with over 600 e-mail comments. The independent panel consisted of nine 16 to 24 year-olds who were selected from across the UK and met for two half-day sessions.

Feedback highlighted the perception of BBC Television as conservative. Most felt the BBC must shed its 'Auntie' image if it was to resonate with a younger audience – and they wanted a more diverse representation of ethnic minorities on screen so that BBC Television reflected the world they lived in. There was also a desire for the BBC to originate good British comedy and entertainment programmes and criticism of last minute schedule changes, particularly the perceived frequent scheduling changes to sci-fi and cult programmes on BBC Two.

The outcomes of the review will help inform BBC Television overall, and particularly the development of programming on BBC Three, the proposed digital channel to be launched in autumn 2001, subject to Government approval (see page 42).

The Governors' seminar, entitled '*Why have the BBC?*', sprang from a recognition that 16 to 24 year-olds are the first to be fully exposed to a wide choice in all aspects of media and are less likely than older groups to have an inherited understanding of the BBC's public purposes.

Sixty 16 to 24 year-olds were selected by professional recruitment services to be representative across a broad demographic profile, reflecting race, religion and social class. Workshop sessions and open debate provided the opportunity for lively discussion of participants' views on BBC News; BBC portrayal of issues affecting their lives; tastes in entertainment and music; and what BBC Online could offer them. Their views will contribute to the development of programmes and services.

Accountability

This working seminar was an important part of an ongoing review of ways in which the BBC listens to and interacts with the public. It explored what accountability means for the BBC and provided an opportunity to learn from the experience of a wide range of other organisations and look at new ideas

about how to achieve it. The seminar has informed the development of a more participative approach to accountability which will be piloted over the coming year.

Handling complaints

The Governors have a responsibility to ensure the BBC has a proper system for handling programme complaints.

To this end, the Programme Complaints Unit (PCU) investigates complaints which give reason to believe that a programme broadcast by the BBC's licence fee-funded services may have fallen seriously short of the standards set out in the *BBC Producers' Guidelines*. Complaints about other matters are forwarded to the appropriate areas of the BBC for attention.

In 2000/2001, the PCU dealt with 783 complaints, of which 124 were wholly or partly upheld. The findings on upheld complaints are published in a quarterly bulletin, together with a note of the action taken in each case. During the year, 62% of complaints were answered within the target times (20 days, or 35 days for more complicated cases), compared with 73% in the previous year. This was due to technical difficulties with a new computer system.

A sub-committee of the Governors, the Programme Complaints Committee, hears appeals against decisions of the PCU. During the year, the Committee received 27 requests for appeal. Full consideration was given to 23 of these cases, four were upheld in part and two in full.

The PCU also deals with the Broadcasting Standards Commission (BSC) on complaints about BBC programmes. In the year to 31 March 2001 the BBC received 34 notifications of fairness and privacy complaints from the BSC. Sixteen fairness and privacy complaints (some relating to earlier years) were wholly or partly upheld, one of which is currently subject to the Commission's appeals process. The Commission notified the BBC of 1,144 complaints about standards, and complaints were partly or wholly upheld about 19 broadcast items or series. Because of action already taken by the BBC, the Commission recorded complaints about 12 items as 'resolved'. The BBC complied with all directions given under the Commission's statutory powers.

Accessibility

BBC Information operates 24 hours a day, seven days a week handling telephone and written comments and queries from audiences. Every comment is logged and reported daily across the BBC. The number of calls dealt with by the call centre this year was 952,500, an increase of 12% on last year. Over 73,000 letters were handled this year and BBC Information received over 116,000 e-mails – a 68% increase over last year.

BBC Information achieved its target of answering 80% of letters within five days, acknowledging all e-mails within 24 hours and answering 100% of all e-mails within three days. In every quarterly Customer Satisfaction survey since July 2000 over 90% agreed that the service was good or excellent.

Reports from Advisory Bodies

On behalf of licence payers, a network of more than 500 people around the UK advises the Governors on programmes and services through a range of advisory bodies. Their annual reports to Governors are summarised below.

Broadcasting Council for Scotland

Programmes such as *Prison Officer* and *In Search of Scotland* helped to draw audiences to BBC Two Scotland whilst underlining the commitment to public service broadcasting. Amongst other output, *Chewin' the Fat*, which also enjoyed network runs, the arts strand *Ex-S and T in the Park* attracted large audiences and critical acclaim. Following a review of Radio Scotland programmes, a number of changes were introduced which resulted in an increase in hours of broadcasting from Aberdeen and Inverness, and an enhanced hourly service of news, sport, weather and travel information.

The number of hours of network drama and readings produced for Radio 3 and Radio 4 reached an all-time high. In television it has been satisfying to see recommissions for *Monarch of the Glen*, *Castaway*, *Tinsel Town* and *Two Thousand Acres of Sky*. Attracting and retaining the key talent necessary to further network ambitions provides a challenge for the current year.

News programming has delivered some powerful output through *Frontline Scotland*, whilst parliamentary and political processes in Edinburgh, London and Brussels have been subject to rigorous scrutiny on BBC Two Scotland in *Holyrood* and *Holyrood Live*. *Politics Tonight* on Radio Scotland made a valuable addition to coverage. *Reporting Scotland* faced a tough competitive marketplace in the 6pm to 7pm hour; *Newsnight Scotland* delivered strong analysis and debate. The daily and weekly programmes covered a range of major events and stories in depth, including the death of the First Minister, the Lockerbie trial, the fuel and exams crises and the foot and mouth outbreak.

In relation to BBC Scotland objectives, work has been under way to extend Radio nan Gaidheal (RnG) transmission to complete its reach across Scotland. Technical preparation is well advanced for delivering BBC Two Scotland to the South West, in addition to launching BBC Two Scotland Digital across the country. Branding work remains to be completed, but Radio Scotland and RnG have been streamed online to warm appreciation from audiences.

In the year ahead, rebalancing the schedules post-devolution will move forward as the benefits of extra funding devoted to new drama and entertainment for audiences in Scotland begin to impact. This investment will include the introduction of a television bi-weekly drama.

The Council looks forward to working closely with the Board of Governors in tracking and assessing the impact of the Government's Communications Review as it affects Scotland. As part of that, the future of Gaelic broadcasting will be a key issue.

Broadcasting Council for Northern Ireland

In the year under review, BBC Northern Ireland news and current affairs teams have continued to cover the first full year of work for the Northern Ireland Assembly as well as the ever-changing security, political and socio-economic scene; with the ongoing story of the implementation of the Patten proposals on police reform, the loyalist feud, the release of republican and loyalist prisoners from the Maze, the visits of Bill Clinton and Tony Blair, and in January, the resignation of Secretary of State Peter Mandelson, followed by news of his replacement, Dr John Reid. BCNI commends the continuing high quality of radio and television news reporting and notes that almost all news and current affairs strands add to the BBC One channel average.

The move of the *Nine O'Clock News* to ten o'clock in October also provided a Northern Ireland television bulletin on BBC One at 10.25pm. We congratulate BBC Northern Ireland on its decision to move the bulk of its television output to follow this local bulletin – an initiative which has added to the network share on BBC One at that time.

Praise is also due to Radio Ulster which continues as the market leader in Northern Ireland. However, this has been a disappointing year for network radio commissions, and we believe that BBC Northern Ireland must redouble its efforts to secure high-quality offers in the coming year. Strong efforts also need to be made to improve the levels for factual, and music and arts programming on network television.

There will be a considerable challenge in originating a digital 'zone' on BBC Two Northern Ireland later this year. However, we believe that the experience of BBC Choice Northern Ireland and the creative pioneering spirit evident in its development augurs well for a strong start.

Overall it has been a year of high-quality output and talent development for BBC Northern Ireland, with approval ratings improving year on year. However, we would wish to see increasing local relevance in all output, particularly sport. It has also been a year of considerable change, with the appointment of the new Controller, Anna Carragher, and a management restructuring in line with the One BBC ethos. We would wish to pay tribute to the professionalism of staff and to their willingness to embrace new ways of working, using new technology in a highly cost-effective way. The Council is mindful of the recent substantial programme investment in the Nations' 'New Vision', and is confident that plans are in place to deliver it.

Broadcasting Council for Wales

BBC Wales saw huge changes during 2000/2001 including comprehensive restructuring of management and programme departments, the ending of the split between commissioning and production, and preparation for the re-integration of BBC

Wales Resources. New programme strategies were also prepared, and the Council warmly welcomed the resulting commitment by the Board of Governors to increase future annual funding to support programme-making. New accountability relationships were also developed in the course of the year, with the National Governor appearing with BBC executives before formal committees of both the Westminster Parliament and the National Assembly for Wales.

The BBC in Wales still outperforms the UK average, but increasing commercial competition poses a tough challenge. Against this background the Broadcasting Council for Wales has been pleased to note substantial progress against objectives.

News and Current Affairs performed strongly with audiences in Wales continuing to appreciate both existing staples and successful new offerings such as *The Exchange*, *Dragon's Eye* and the 10.25pm bulletin. The Council looked forward to seeing the BBC's ongoing response to devolution extending to other programme areas: the renewed emphasis on finding and developing young talent and increasing the diversity of the staff base was commended as a positive step towards the production of programmes which would find a national platform on the BBC networks, and provide a distinctive service for Welsh audiences in both Welsh and English. The Council looked in particular for more programme coverage of Welsh business.

BBC Wales programmes attracting critical acclaim during the year included BAFTA-nominated *Care*, *Panorama: the Power to Abuse*, *Ellen MacArthur: Sailing through Heaven and Hell*, *This Land*, the *Voice of Music Theatre* competition staged in partnership with BBC Radio 2, and *The Magician's House*, which won an international Emmy. Network exposure for programmes from Wales was still an issue however: although drama productions such as *Border Café* and *Dirty Work* had been disappointing, the Council hoped that promising current series such as *Belonging* would win a wider audience. Members felt that this was of particular importance given the concern expressed by many viewers when Wales and the Welsh were allowed to become the butt of jokes on network television: individual incidents, trivial in themselves, but taken together the source of growing offence to many licence payers.

The BBC Wales radio networks made encouraging progress during the year, with Radio Cymru performing particularly well. Online was developing into a very important and distinctive channel of communication with audiences, with the site *BBC Cymru'r Byd* rapidly establishing itself as the leading Welsh-language gateway to the internet. Education plans were impressive, and the Council commended the care which had been taken to tailor digital provision to the demands of the Welsh curriculum. This was a core public service which the BBC was well-placed to provide.

As BBC Choice Wales came to an end, the Council expressed its appreciation of the creative contribution staff working on it had made to BBC Wales' portfolio of services, and looked forward keenly to the development of a new digital 'zone' on BBC Two Wales.

English National Forum

In a year of exceptional investment by the BBC in local and regional services, the 48 advisory councils in England, represented by the English National Forum (ENF), have noted significant developments to the BBC's 39 Local Radio stations, the BBC Asian Network, and the ten regional television services (soon to be 11, with the launch of the service for the South East).

The extensions to the late evening regional news bulletins, part of the BBC News at 10pm, and the breakfast bulletins have been welcomed.

BBC Local Radio's unparalleled service to local communities, demonstrated most clearly at times of crises including floods, fuel and rail emergencies, and the foot and mouth epidemic, is being supported with enhanced funding and the promise that Local Radio budgets would be protected for the lifetime of the current Charter.

The development of local online sites and the pilot BBC Zone in Blackburn are seen as exciting opportunities to reach out to and connect with new audiences, and in particular those who may feel under-served by local and regional BBC services, such as the young. Greater localness is being achieved with the introduction of separate services for London and for the South East, the Radio Oxford/Radio Berkshire split, the launch of television sub-opts for Oxfordshire and the Channel Islands, and the augmented schedule of transmitter work to improve local radio reception. However, the ENF is disappointed that there are still parts of the country which suffer from poor or non-existent reception.

On network services, the ENF has identified a failure to cherish and reflect England's diversity sufficiently; included in this is an under-representation of life away from the capital, in particular in the northern regions and the Midlands. The ENF welcomes the BBC's recognition of these shortcomings and looks forward to positive action stemming from current deliberations. The principal concern is the absence of regional television services on digital satellite, which the ENF sees as a priority in order to provide a comprehensive service for audiences in the English regions, and in the light of the recent White Paper on communications and ITV plans for regional services. There is also a desire to see improved scheduling of the many quality regional television programmes, with a move to BBC One.

During the course of the year, the ENF has been heartened by the increased involvement of the advisory councils in current and future planning, and the improved communication and feedback from both Governors and senior management.

World Service Consultative Group

The Governors' World Service Consultative Group was established following the 1996 BBC restructuring to provide the Governors with independent external advice on the range and quality of World Service output. The Group aims to review World Service English and vernacular output over a three-year cycle.

For 2000/2001 the Group decided to review services to Europe and the EurAsia region, both on radio and online. Languages selected this time were English, Albanian, Czech, Polish and Serbian for Europe, and English, Persian, Russian and Turkish for EurAsia.

For each of these languages, between two and four assessors were recruited by an independent consultant, using a number of local market research agencies and other contacts. The assessors were asked to listen to up to ten hours of highlighted output with the focus on News and Current Affairs programmes, or to surf the BBC World Service Online sites. Altogether 36 individual assessors submitted reports.

The Consultative Group members note the higher quality of the assessors' reports this year. Whilst being aware of the limitations of the research, they feel that the reports provide valuable diagnostic tools and give detailed feedback which should be useful to programme makers.

The Consultative Group is pleased to note, as the single most important finding of the review, that the quality, authority and trustworthiness of World Service broadcasts continues to be rated very highly. The Group is also impressed this year by the perception of relevance and added value displayed regularly in the assessors' reports.

In its discussions the Group identified, however, a number of areas where the assessors' reports indicate room for improvement. These are:

- the balance between world news and local news;
- the order in which news items are presented;
- presentation style;
- programme labelling and the clarity of output structures;
- trailing and promotion of programmes across radio and online output;
- the opportunity for more interactivity with listeners, particularly online; and
- the ease of navigation on the World Service Online site.

The Consultative Group has also asked World Service management for a report on how it plans to improve the relevance of the present output mix to its audience.

Central Religious Advisory Committee

The Central Religious Advisory Committee (CRAC) advises the BBC on religious broadcasting policy and programmes.

In a fragmenting broadcasting environment, anxiety about the marginalisation of religion by broadcasters was a recurrent theme for CRAC, although the Committee welcomed the BBC's promptness in putting in place more effective channels for debate with the Board of Governors and those responsible for commissioning and scheduling programmes.

In reviewing programmes, CRAC contrasted the strength and depth of religious output on radio with what was sometimes

a shallower approach on television. Highlights on radio included *Where was God?* (Radio 2, 18 October 2000), two series of *Prayer for the Day* (January and March 2000) and *Good Morning Sunday* (Radio 2). Television highlights were also identified, including *Seeing Salvation* (April 2000) and *Easter Tales* (April 2000). The Committee expressed serious disappointment over *The Veil* (May 2000). Although it recognised that the programme was made in the style of an arts programme, CRAC regretted the offence it caused to members of the Muslim community.

Appeals Advisory Committee

Charitable appeals play an important part in the BBC's role as a public service broadcaster. Responsibility for allocating regular appeals and advising on applications for others rests with the BBC Governors, advised by the Appeals Advisory Committee (AAC). The AAC is made up of specialist external advisers who represent a broad range of interests across the charitable field. The AAC also advises on general policy matters relating to BBC appeals.

Last year the BBC broadcast over 60 network appeals for individual charities, and raised over £62 million via *Children in Need* and *Comic Relief*. Listeners donated over £890,000 to charities featured on the weekly Radio 4 Appeal (excluding *Children in Need*) while viewers of BBC One's monthly *Lifeline* programme donated over £303,000 to the 12 charities featured over the year. The BBC also broadcasts appeals for causes specific to Scotland, Wales, Northern Ireland and the English regions.

In November 2000 *Children in Need* raised over £12.2 million on the night for a wide range of projects working with disadvantaged children in the UK. It is projected to raise over £20 million in total.

In the same month, *Blue Peter* launched its Stamp Aid appeal on behalf of Health Unlimited, which works to provide primary health care in remote parts of the world. By the end of March 2001 over 130 million stamps had been sent in. These, together with cash donations, raised over £160,000.

Broadcast in March 2001 *Comic Relief* has raised over £50 million for projects working with people whose basic human rights and needs are abused or neglected in the UK and in Africa.

In March 2001, the BBC also took part in an emergency appeal following the India earthquake. The appeal was requested by the Disasters Emergency Committee (DEC), an umbrella organisation which launches and co-ordinates the UK's National Appeal in response to major disasters overseas. Overall the appeal, including BBC appeals on television, radio and BBC Online, raised over £20 million.

Looking Ahead

2000/2001 was a year of transition for the BBC. Big steps were taken towards spending substantially more income on programmes and services, towards a more diverse workforce, and towards delivering a more distinctive set of television and radio services. The work will continue in the year ahead.

Over the next two years the BBC is committed to the biggest single increase in spending on programmes in its history. The new level of spending which we will reach in 2002/2003 will then be sustained until 2006/2007. Delivering new services and many thousands of hours of new programming will require constant evolution of the BBC's structure, workforce and working practices.

The Governors recognise the importance of stable objectives over this challenging period. They have therefore decided to retain seven of the 12 objectives they set out for the BBC in last year's *Annual Report*. This decision not only reflects the fact that these are long-term objectives but underlines that, although the BBC is operating in a rapidly changing environment, our core purposes and role remain unchanged.

This section of the *Annual Report* therefore sets out the seven objectives which have been retained, noting any issues which management need to take into account, and five new or modified objectives.

Continuing objectives

Strengthen BBC One, as well as all core TV and radio services, with a particular focus on offering a richer mix of content

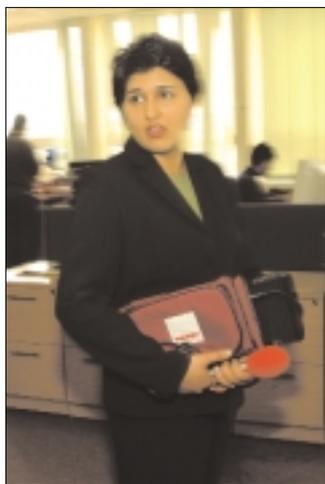
The Governors recognise the tensions involved in trying to strengthen BBC One in terms of improving reach, share and approval, as well as maintaining its distinctiveness. Despite these, they believe the BBC can continue to make programmes of distinction which appeal to large audiences.

Deliver greater value for money for licence payers year on year through increased efficiency and more effective commercial activities

The Governors will pay particular attention to the first year of business of the BBC's new wholly-owned subsidiary, BBC Technology Holdings Limited, and to developing plans to increase commercial revenue over the next year.

Improve our openness and accountability to all stakeholders

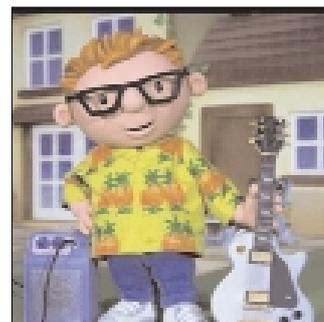
There will be a number of opportunities to improve BBC accountability over the coming year – particularly in the context of the Communications Bill debate. The BBC will publish



Left and below: We have plans to expand the Asian Network service of news, features, music and religious and cultural programming.



Above: The BBC's proposed new services include two channels for children (see page 42).



Statements of Programme Policy which demonstrate its distinctive public service ambitions. Equally, the BBC needs to demonstrate that it is more open and responsive to its viewers and listeners.

Ensure we serve and are valued by currently under-served audiences, particularly the young and minority ethnic audiences

The Governors' seminar with 16 to 24 year-olds in March 2001 convinced them of the need for the BBC to continue raising its game in serving this audience group.

Move towards our long-term goal of increasing the percentage of licence fee income spent on content and services from 76% to 85%

The BBC looks well on course to achieve this.

Improve diversity internally to 10% of staff from minority ethnic backgrounds by the end of 2003, with an increase from 2% to 4% at senior management levels

These remain tough targets and will require determined action from management at all levels.

Drive a change in BBC culture to generate greater collaboration and creativity

The good signs of changes in culture over the last year need to be reinforced across the organisation.

New or modified objectives

Launch the approved new digital TV and radio services, and monitor their early performance

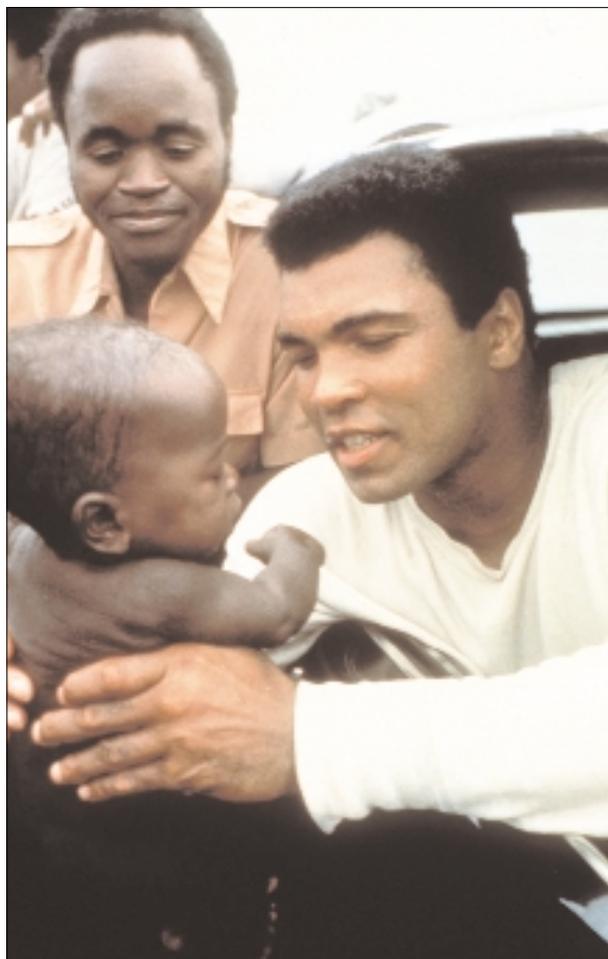
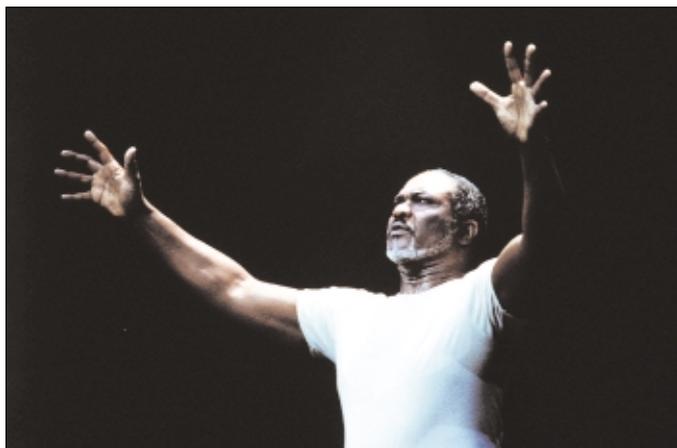
The Governors were pleased with the progress made last year in developing new digital proposals, and with the demonstrable public support shown for the plans in last autumn's consultation. But Governors and management recognise that this part of the process was relatively easy compared with the logistical, creative and competitive challenge of launching approved new BBC services into the marketplace.

The service plans are set out overleaf. Following the licence fee settlement 18 months ago, funding for them has been earmarked in the BBC's budget projections until 2006/2007, and we have – as we are required to – sought Government approval before going ahead. Subject to that approval, the BBC will be able to offer an attractive set of free-to-air digital services which will both serve different sections of our audience more effectively, and help drive digital take-up.

The BBC must get two things right at the launch of the new services: they must be branded appropriately and must be effectively marketed. Thereafter the commissioning and scheduling of the new services, and the BBC's ability to deliver high-impact programming will be the key to their success.

In last year's *Annual Report*, the Governors recognised that BBC Choice and BBC Knowledge had not become well established

*We plan to extend our arts, culture and ideas coverage with BBC Four. Programmes might include performances such as the opera **El Nino** with Willard White (below), or films like **When We Were Kings** (right) shown last year in BBC Knowledge's **Storyville** season.*



Proposed new digital television services

In addition to BBC One, BBC Two, BBC News 24 and BBC Parliament, we propose to launch:

BBC Three

Offering entertainment, news, new comedy and drama. The service, mainly for younger viewers, will reflect the lifestyles and attitudes of modern multi-cultural Britain.

BBC Four

Offering culture, arts, ideas and serious debate.

We also propose two new children's channels – one for pre-school children, the other for older children. These will offer a distinctive and high-quality alternative to commercial children's television – with a strong UK identity and free from advertising.

The pre-school channel

Offering programmes that stimulate children to learn through play.

The channel for older children

Providing interactive new drama, entertainment and factual programmes.

Proposed new digital radio services

In addition to the existing networks, the BBC is planning five new national radio services that will be available through all

digital outlets, including the internet, digital radio and digital satellite and cable. They are:

Network X (working title)

A black music, news and speech service aimed at a young audience, with emphasis on UK-produced music with live events.

Network Y (working title)

Focusing on the popular music over the past 30 years. It will draw on the BBC's unique archive of musical performance, concerts, documentaries and interviews.

Network Z (working title)

A new speech-based service, which would include children's programming, built on BBC Radio's tradition of offering stimulating drama, comedy, readings and story telling for all the family.

Five Live Sports Plus

Five Live Sports Plus – extending the sports coverage currently offered on Radio 4 and Radio Five Live.

A national BBC Asian Network

Serving the whole of the UK, offering music and speech, and building on the success of the Asian Network originally broadcast only in the Midlands.

with digital TV viewers. The Governors believe that BBC Three, BBC Four and the two channels for children stand more chance of success, since they are better conceived and more adequately funded. But they also know that success is far from guaranteed and will take time to achieve.

Demonstrate improved services to the whole of the UK as part of the BBC's ongoing response to devolution and regional diversity

A new strategy for BBC Nations and Regions was agreed in the autumn. The BBC's response to devolution and regional diversity is moving beyond news and political reporting to entertainment and factual programming. Tackling under-performance in the North of England is a priority.

Reinvigorate the creativity and capabilities of the BBC's in-house production teams across the UK

The BBC's services are only as good as the combined impact of the programmes in their schedules. The service plans for the coming years involve spending millions more on in-house BBC production – from drama and entertainment, specialist factual and sport, and from our production bases outside of London across the UK. There are plenty of examples in broadcasting history, including the BBC's, of money not buying quality, distinctiveness and audience appeal. Over the next few years, although there are bound to be some new programmes which prove unsuccessful, the BBC must provide a critical mass of new programming which really resonates with audiences.

This presents a creative challenge to every BBC production area, including those like the Natural History Unit in Bristol which is rightly regarded as world-class. There is no blueprint response to this challenge. For some production teams it will require stronger leadership, for others better teamworking, for others a new strategy for innovation. Above all, the BBC must develop or buy in the capabilities required to sustain or reinvigorate its production centres.

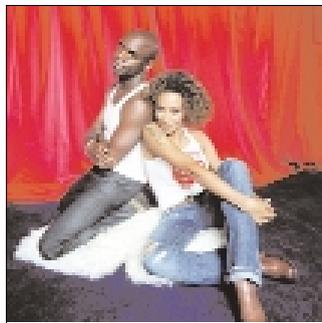
Make a compelling case for the BBC leading the development of a UK-wide digital curriculum and prepare the BBC to play this role

It has been frustrating that over the last year the BBC has not been able to take more significant steps in the delivery of its education strategy, which was agreed the previous year. This is predominantly because the BBC is not in a position to act unilaterally in education issues – we wish to work with other organisations and liaise with Government. This has slowed down progress this year.

The BBC remains determined to realise its digital learning potential, most importantly in delivering a UK-wide digital schools curriculum. It is therefore a priority this year that the BBC not only makes a compelling case for the BBC playing a central role in the delivery of a comprehensive digital curriculum but also makes sure that when the time comes to deliver the curriculum to pupils, teachers and parents, it will have been well worth waiting for.



Above: The BBC's New Media department is creating interactive TV for the future. For instance, while watching a programme (here *EastEnders*), viewers will also be able to call up on their screen information such as the latest news or sports or financial results.



Above: *Liquid News* and left, *Players Club* which go out on BBC Choice – BBC Three will offer more entertainment, news, new comedy and drama for young audiences.

Achieve a step change in the impact on audiences of the BBC's new media services, including interactive television

The BBC received praise from all quarters for its early recognition of the potential of the internet, and the depth and quality of its website, bbc.co.uk. Although the hype around the internet and dot.coms has been deflated over the last year, it remains clear that digital technologies will continue to converge and use of the internet will grow. In the last year, the BBC has reassessed its new media strategy in the recognition that the attractiveness and navigability of the BBC's online service needs improving and that BBC interactive TV developments need to gather pace. The new strategy aims to make the BBC the UK's number one digital destination.

Promises to licence payers: 2001/2002

Every year, the BBC sums up its priorities and plans in its promises to viewers and listeners. Our promises for 2001/2002 build on the commitments we made last year.

- We will launch our package of digital services with programmes that add value to BBC TV and Radio.
- We will deliver an even stronger performance from BBC One and our other main TV and radio services. In particular we will give a better service to young people and ethnic minorities.
- We will put even more money into programmes.
- We will provide learning materials on BBC Online to support schools across the UK.
- We will find better ways to be open and accountable.

Report on Compliance and Regulatory Matters

The Governors have clear responsibilities under the BBC's Charter to ensure that the BBC behaves responsibly and follows all applicable regulations and codes of practice. They must satisfy themselves that the BBC complies with all legal obligations, has an appropriate management structure, maintains sensible controls to protect its assets, and adheres to its own guidelines and codes of practice.

On the following pages, the Governors and the auditors report formally on the BBC's policies, procedures and compliance as follows:

1 Fair trading	44-47
2 Financial statements	47
3 Our risk and control processes	48-49
4 Governors' remuneration report	49-52
5 Programmes from independent producers	52
6 Other rules	53
7 Environmental statement	53-54
8 Social statement	54-55

1 Fair trading

BBC commercial activities and fair trading

The BBC's core purposes are those of public service: seeking to satisfy audiences with services that inform, educate and entertain; and that enrich their lives in ways the market alone will not.

Licence payers' investments, built up over many years, have produced a critical mass of talent and production capability for the BBC, together with an unparalleled archive of past programming. These assets have a substantial secondary value, over and above their use on public service channels and outlets. The BBC has a responsibility to ensure that this value is properly developed commercially, and used to the benefit of the licence payer.

In pursuing commercial activities, the BBC is, like other organisations, fully subject to both domestic and European competition law. However, unlike other organisations, the BBC's responsibility to trade fairly is reflected in further and more demanding requirements arising from its Royal Charter. In particular, the Charter requires the avoidance of cross-subsidy between the BBC's publicly funded and commercial activities.

Fair trading compliance procedures

The BBC's fair trading obligations are embodied in its Fair Trading Commitment, compliance with which is scrutinised throughout the year by a standing committee of the Board of Governors, the Fair Trading Compliance Committee.

The Fair Trading Compliance Committee is advised directly and without the mediation of BBC management by the BBC's Controller, Fair Trading and through a significant programme of internal and external audit, the latter conducted by an independent firm of auditors. All subsidiaries and commercial operations report to the Committee on their activities, and all staff with commercial responsibilities are required by the Committee to be trained in the BBC's fair trading policies.

The BBC has a clear and explicit programme of fair trading compliance, which is now accredited by the British Standards Institute. By their nature, fair trading judgements are complex, reflecting the changing environment in which the media industries operate. Through the Fair Trading Compliance Committee, the BBC's Governors bring informed scrutiny to bear on the important issues of policy which arise from the BBC's engagement in commercial ventures.

Fair trading complaints

One of the responsibilities of the Controller, Fair Trading, is to advise the Board on any fair trading complaints which have been laid against the BBC. He can be contacted at The BBC, Broadcasting House, London W1A 1AA. In accordance with the Secretary of State's recommendations, the Fair Trading Compliance Committee publishes a quarterly bulletin of any allegations of breaches of the Fair Trading Compliance Commitment of which they have been advised, and will deal with any such complaints swiftly and in confidence, whenever this is requested by a complainant.

Events of the year

Implementation of Government recommendations

As part of the licence fee settlement in February 2000, the Secretary of State recommended a number of specific measures to be taken on fair trading issues. The BBC has taken the following steps to implement these measures:

- The required independent review of the BBC's fair trading policies has been conducted by Richard Whish, an eminent competition law expert, who concluded that he was '*satisfied that the Fair Trading Commitment and the Commercial Policy Guidelines are appropriate to ensure that the BBC does not distort competition in commercial markets:*'
- The BBC met the requirement to appoint separate auditors for the fair trading and finance functions. Ernst & Young have been appointed as auditors to assess fair trading compliance. The BBC retains KPMG as its financial auditors.
- The BBC published its first *Fair Trading Complaints Bulletin* in September 2000 and continues to publish it on a quarterly basis. Copies of the bulletin are available from the Controller, Fair Trading, at Broadcasting House, London W1A 1AA or online at www.bbc.co.uk/info/trading01a/index.shtml
- The BBC has been awarded the ISO9001: 2000 quality standard by the British Standards Institute for the management of its fair trading procedures.

External challenges

During the year there were no successful challenges to external bodies about the BBC's commercial activities:

- ITN has complained to the Office of Fair Trading (OFT)

that the supply of BBC News content to mobile telecoms operators as a public service is a breach of the Competition Act 1998. The BBC has defended its position and the OFT is considering whether to conduct an investigation, under the Competition Act.

- ITN complained to the OFT alleging that a number of carriage agreements for BBC News Online with third party portals were in breach of the Competition Act. The OFT is conducting an investigation under the Competition Act and has not yet completed its enquiries. The BBC does not believe that it is in breach.
- The OFT rejected, on 6 December 2000, a complaint from TalkSport, originally made in May 2000, that Radio Five Live had acted anti-competitively in successfully acquiring live rights to English Test Match cricket.

Complaints to the BBC

During the year a number of complaints were made to the Board of Governors or to the Controller, Fair Trading, that the BBC was in breach of its guidelines:

The following complaints were not upheld:

- ITN complained to the Board of Governors on 19 June 2000 alleging that the agreement between the BBC and US broadcaster WL1W21, for the supply of BBC World, was in breach of the Fair Trading Commitment, suggesting that no revenue was being generated by the sale. The BBC explained that although the terms of the supply agreement would remain confidential the sale did generate positive revenues to BBC Worldwide.
- On 15 January 2000, Glyn Ford MEP wrote to the BBC referring to a letter he had received from Bristol-based facilities supplier 4:2:2 alleging that BBC Resources Limited was unfairly competing in the market for facilities. The BBC has submitted a response denying the allegations.
- On 23 November 2000, ITN wrote to the Controller, Fair Trading, alleging that an on-air trail for BBC News unfairly promoted the commercial supply of news content to mobile phone operators. The Controller, Fair Trading, found that although the trail did not promote the commercial service in any way, the trail should be edited to avoid future confusion, but making it clear that the content visible on the mobile device is recognisably of the BBC's publicly funded News Online site.

The following complaint was upheld in part and action was taken to remedy the concern:

- IPC Media complained to the Board of Governors on 11 December 2000 alleging that BBC Worldwide Limited's publishing of *eve*, and the trailing of both *eve* and *star*, was in breach of the BBC's *Commercial Policy Guidelines*. The Fair Trading Compliance Committee found that the publishing of *eve* was a legitimate activity for BBC Worldwide, but felt that the trailing of *eve* and *star* invited challenge (although the trails were technically consistent with the rules governing trailing on the BBC). The Committee also found that the launch of *star* magazine, before the *star* programme strand was fully established as part of *Live & Kicking*, invited challenge,

even though it technically complied with BBC policy. As a result of these findings, the name of the *star* programme strand was changed (to remove the link with the magazine) and on-air trails for *eve* or for *star* were stopped. Any future requests for such trails will only be granted following the prior scrutiny of the BBC's Controller, Fair Trading.

The following complaint is still being considered:

- Independent record producer Robin Millar wrote to the Controller, Fair Trading, on 3 December 2000, alleging that several Radio 1 disc-jockeys in the dance music genre discriminate unfairly in favour of artists in whom they have a financial interest.

BBC restructuring

The new BBC structure was announced in April 2000 and has been implemented during the course of the year. The Controller, Fair Trading, has personally briefed all new divisional directors, and day-to-day Fair Trading Representatives have been appointed in all divisions. The Controller, Fair Trading, and the commercial policy team have also provided training sessions for staff in the new divisions to ensure that the fair trading risks associated with restructuring are properly managed.

BBC Resources joint venture with Granada Media Group

The OFT considered whether a proposed facilities joint venture in Manchester, between BBC Resources Limited and Granada Media Group, should be referred to the Competition Commission for a formal investigation under the Fair Trading Act 1973. Following a lengthy investigation, the OFT found that the joint venture would pose no fair trading risk and therefore declined to refer the matter to the Competition Commission.

BBC Technology incorporation

Compliance with the Fair Trading Commitment requires that public service divisions are allowed only to trade commercially using demonstrably marginal capacity, and are not expected to maintain dedicated capacity for commercial purposes. Moreover, both the Commitment and external competition law require that the BBC's commercial activities do not use or place licence fee funds at risk. To enable the BBC to engage more actively in the commercial supply of technology-related services while maintaining compliance with the Commitment and the law, an arm's length commercial subsidiary was established. BBC Technology Holdings Limited received approval from the Secretary of State on 27 February 2001 and formally began trading on 31 March 2001.

Competition Act 1998

As expected, the first full year of the Competition Act 1998 has seen an increase in the number of complaints of anti-competitive behaviour investigated by the OFT. No successful challenges have been brought against the BBC under the new legislation.

Governors' opinion

The Governors consider that the policies contained in the

Reports on Compliance and Regulatory Matters

BBC's Fair Trading Commitment are consistent with the requirements of the Royal Charter and the accompanying Agreement. Through the Fair Trading Compliance Committee, they have gained reasonable assurance that the framework of controls and procedures designed to ensure that these policies are applied throughout the BBC has been operating effectively throughout the year.

Report to the Governors by Ernst & Young

Our role as the BBC's fair trading auditors is to carry out an independent review of the framework of procedures and controls established within the BBC to give the Governors reasonable assurance that the objectives of the BBC's published Fair Trading Commitment were achieved during the year ended 31 March 2001. The Governors are responsible for ensuring the BBC meets all the requirements of competition law and trades fairly. They approve its fair trading policies, determine the objectives of the procedures and controls designed to ensure compliance, and monitor outcomes.

Management is charged with identifying and assessing risks that could threaten fair trading, and designing and operating the procedures and controls to manage those risks.

Our detailed instructions and scope of work were agreed with the Governors' Fair Trading Compliance Committee. We are satisfied that the agreed scope was sufficient to enable us to express the opinion set out below. We have also assisted the Fair Trading Compliance Committee in its role of monitoring fair trading compliance throughout the BBC, providing various reports to it during the year.

Our approach

We have carried out a detailed programme of review designed to provide reasonable assurance as to whether the different divisions of the BBC were complying with the Fair Trading Commitment.

Our work consisted mainly of enquiry and assessment to enable us to review whether appropriate procedures and controls were in place. We also tested a sample of material transactions to give reasonable assurance that the procedures and controls had been applied.

As with any system of control, however effective, it is not practicable to ensure that no errors or irregularities occur without being detected. Our work was therefore designed to give the Governors reasonable assurance, but not certainty, as to the adequacy of the procedures and controls which are in place to ensure compliance with the Fair Trading Commitment. Further, because fair trading issues require judgements which ultimately might be tested in a court of law or elsewhere, there is always a risk of challenge even where procedures have been followed and decisions have been taken with the greatest care.

Opinion

In our opinion the BBC has established, and has applied, a framework of procedures and controls which provides

reasonable assurance that the objectives of the BBC's Fair Trading Commitment have been achieved during the year ended 31 March 2001. We also consider that the Governors' statement of opinion on this page appropriately reflects the BBC's compliance with its Fair Trading Commitment during the year then ended.

Ernst & Young
Chartered Accountants

London
22 May 2001

Governors' report on BBC World Service Trading Protocols

The BBC World Service is responsible for commissioning and scheduling its own programmes and for making programmes for its language services, but purchases English language programme-making and technical and support services from other Divisions in the BBC (the supplier Divisions). These arrangements were established in 1997 and were broadly unaffected by the reorganisation of the Home Services in April 2000.

It was agreed by a joint Foreign and Commonwealth Office (FCO)/BBC World Service Working Group that the BBC would draw up new guidelines to govern the trading relationship between the BBC World Service and the supplier Divisions, in order to ensure that the World Service maintains its distinctive voice and to preserve a clear separation between Grant-in-Aid and licence fee income. These Trading Protocols were approved by the Governors' Fair Trading Compliance Committee in 1997.

Each of the supplier Divisions then drew up detailed agreements with BBC World Service, specifying:

- the services to be provided;
- criteria to ensure the quality of the services; and
- the cost of the services.

The Fair Trading Compliance Committee is responsible for monitoring and reviewing compliance with the Trading Protocols. The Committee receives regular reports from management on the effectiveness of the systems and procedures in place to ensure compliance with the Trading Protocols.

KPMG has reviewed a summary of the value of transactions and the related cash flows which have taken place during the year between BBC World Service and the supplier Divisions. KPMG has reported to the Governors that, in their opinion, the information contained in the summary of transactions for the year ended 31 March 2001 has been properly extracted from the books and records of the supplier Divisions and has been properly prepared on the bases of cost allocation and apportionment methods set out in the agreements between BBC World Service and the supplier Divisions and that, on this basis, there has been no material cross-subsidy between Grant-in-Aid and licence fee funds.

Governors' statement on World Service Trading Protocols

Following regular reports to the Fair Trading Compliance

Committee by the Controller, Fair Trading, and internal and external auditors, the Governors are satisfied that:

- the Trading Protocols reflect the requirements of the FCO/BBC World Service Working Group;
- agreements are in place which are consistent with the Trading Protocols; and
- there has been no material cross-subsidy between Grant-in-Aid and licence fee funds.

2 Financial statements

Statement of Board of Governors' and Executive Committee responsibilities for the preparation of the financial statements

The Governors and Executive Committee are required by the BBC's Charter and Agreement to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the BBC and of its income and expenditure for that period. In preparing those financial statements, the Governors and Executive Committee 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 disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to do so.

In addition the Governors and Executive Committee have voluntarily decided to comply with the accounting and disclosure provisions of the Companies Act 1985 and, where applicable, of the Financial Services Authority Listing Rules. They are also responsible for keeping adequate accounting records and taking such steps as are reasonably open to them to safeguard the assets of the BBC and to prevent and detect fraud and other irregularities.

Auditors' report to the Governors of the British Broadcasting Corporation (BBC)

We have audited the financial statements on pages 59 to 79.

Respective responsibilities of the Governors and Executive Committee and auditors

The Governors and Executive Committee are responsible for preparing the Annual Report, including, as described earlier on this page, 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, by the Auditing Practices Board, our profession's ethical guidance and, in accordance with the terms of our appointment, the Companies Act 1985.

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 financial review on pages 56 to 57 is not consistent with the financial statements, if the BBC 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 Governors' and Executive Committee remuneration and transactions with the BBC is not disclosed.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

In addition to our audit of the financial statements, the Governors and Executive Committee have instructed us to review their corporate governance statement as if the BBC were required to comply with the Listing Rules of the Financial Services Authority in relation to these matters. We review whether the statement on pages 48 to 49 reflects the BBC's compliance with the seven provisions of the Combined Code specified for audit review by those rules and we report if it does not. We are not required to form an opinion on the effectiveness of the BBC's corporate governance procedures or its internal controls.

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 Governors and Executive Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the BBC'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 Home Services and the BBC at 31 March 2001, and of the surplus of the BBC for the year then ended and have been properly prepared in accordance with the provisions of the BBC's Charter and Agreement and the provisions of the Companies Act 1985 as if those provisions had applied to these financial statements.

KPMG

Chartered Accountants
Registered Auditors

London
11 June 2001

3 Our risk and control processes

Governors' review of corporate governance

The Governors are appointed as trustees for the public interest to ensure that the BBC is properly accountable to Parliament, licence payers and to viewers and listeners. Part of this role requires us to satisfy ourselves that the BBC is applying the highest standards of corporate governance.

The BBC adheres to the seven principles of public life as set out in the reports of the Nolan Committee on Standards in Public Life.

The Combined Code, issued by the London Stock Exchange in June 1998, sets out principles of good corporate governance. The BBC voluntarily complies with the Combined Code to the extent it is applicable. The requirements of the Combined Code are applied to the BBC with two exceptions. Firstly, those requirements relating to the appointment of non-executive directors are inapplicable as the Governors are appointed by the Queen in Council and their remuneration is set by the Secretary of State for Culture, Media and Sport. Secondly, those requirements relating to shareholders can only be applied to the BBC in so far as the BBC is accountable to the public, rather than to shareholders, through the stewardship of the Governors.

How the BBC has applied the remuneration principles is covered separately within the remuneration report on pages 49 to 52.

Board structure

The Governors are the members of the Corporation. They act as trustees for the public interest while the Executive Committee takes responsibility for the day-to-day operations.

Details of the Board of Governors and Executive Committee are summarised on pages 4 and 5 and pages 6 and 7. A register of interests for both the Governors and the Executive Committee is maintained and may be inspected by written application to the Secretary of the BBC.

The Board of Governors refers some matters to sub-committees. The main responsibilities of these sub-committees are explained elsewhere in the *Annual Report* as follows: Programme Complaints Committee (page 36); Fair Trading Compliance Committee (page 44); Audit Committee (page 49); Governors' Commercial Committee (page 49). Remuneration policy is considered by the full Board of Governors.

Relationship with Parliament and licence holders

The BBC lays its *Annual Report and Accounts* before Parliament. Governors or BBC executives may be, and frequently are, called before parliamentary select committees to answer MPs' questions about the BBC's activities and plans.

Approval for new channels and services, public or commercial, must be sought from the Secretary of State for Culture, Media and Sport.

BBC World Service is funded by Grant-in-Aid and is accountable to Parliament through the Foreign and Commonwealth Office (FCO). Although it is editorially independent, its aims and priorities are agreed with the FCO.

The BBC seeks to keep the public fully informed about its services and the way in which it operates, and to be open and candid about both successes and failures. The BBC will withhold information only where there is a genuine matter of copyright or contractual or commercial confidentiality at stake, or where legitimate considerations of privacy apply.

Information is made available, and audience views obtained, in a variety of ways, many of which are discussed elsewhere in this Annual Report. These include the *Statement of Promises*, *The BBC Listens* strategy, online services, public events and many publications.

Accountability and internal control

Financial reporting and going concern

The respective responsibilities of the Governors and Executive Committee and the external auditors are set out on page 47. Detailed reviews of the financial position of the BBC are included in the financial review by the Director of Finance, Property and Business Affairs on pages 56 to 57. This, together with the review of the year on pages 8 to 31, provides an assessment of the BBC's activities and current position. The going concern basis has been adopted in the preparation of the financial statements as the Governors and Executive Committee believe that the BBC has adequate resources to continue its operations for the foreseeable future.

Internal control

The responsibilities in relation to internal control are clearly defined. The Governors are ultimately responsible for the proper use of public money, while the Executive Committee is responsible for maintaining an adequate system of internal control and for reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Governors and Executive Committee consider that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the BBC. The process has been in place for the year ended 31 March 2001 and up to the date of approval of this report and accounts. It has been regularly reviewed by the Governors and Executive Committee and accords with the guidance set out in the ICAEW's guidance for directors, *Internal Control: Guidance for directors on the Combined Code*.

While an established system of risk management and control, including procedures to monitor and evaluate key risks, has been in existence throughout the year, further steps have been taken during the course of the year to reflect more fully the substance of the guidance and to accommodate the restructuring of the BBC and the introduction of new financial processes and

systems. These initiatives included improved procedures for the identification, evaluation and management of key risks.

The key control procedures operating during the year are described under the following headings:

- **risk management**

The BBC's Top Risks and associated action plans have been reviewed during the year and these risks have been effectively managed throughout the year. These action plans were verified by Internal Audit who reported on them to the Audit Committee. The chief executive of each division had a clear responsibility during the year for the identification and management of risks facing their business. During the year divisional management have undertaken a focused review of the risks associated with the achievement of objectives and strategies including health and safety, business continuity and security. Reports on the management of the key risks facing the business are taken by the Executive Committee and the Audit Committee three times a year, with additional reports taken on an ad hoc basis as necessary.

- **monitoring of controls**

BBC Internal Audit undertake regular testing of control systems under a plan agreed by the Audit Committee. This programme of testing, which is updated every three months, is based on assessment of key risks and issues. The results are reported to the Audit Committee which monitors the operation of the BBC's controls through the year.

- **divisional controls**

The divisions' management have responsibility for ensuring that existing controls and procedures are followed. Key controls over major business risks include performance review and exception reporting. Reviews by Internal Audit monitor the operation of divisional controls.

- **computer systems**

The BBC has established controls and procedures over the security of data held on computer systems. Arrangements are in place for computer processing to continue and data to be retained in the event of failure of the BBC's own data processing facility.

- **controls over outsourced transaction processing**

The majority of the BBC's finance transaction processing, excluding BBC Worldwide Limited, is outsourced to a service company, Media Accounting Services Limited (MedAS), which is independent of the BBC. The Director of Finance, Property and Business Affairs has established monitoring procedures to review the performance of MedAS on a regular basis. These include regular visits to MedAS by Internal Audit.

- **financial reporting**

The BBC has a comprehensive system for reporting financial results. During the year the first stage of the Apollo project – to introduce new financial processes and SAP software – was completed. The second stage was implemented in April 2001.

During the year, each division continued to prepare regular results with comparison against budget. These results, together with those for the BBC as a whole, were reviewed by the Executive Committee and Board of Governors each month. Each financial year the divisions update their five-year plans and prepare detailed budgets for the following year. The annual budget of each division is reviewed by the Director of Finance, Property and Business Affairs. The overall BBC budget is approved by the Director-General, the Executive Committee and the Board of Governors.

Audit Committee

The Audit Committee meets four times a year and is charged with reviewing the effectiveness of internal control; approving and monitoring the Internal Audit work plan; considering issues arising from Internal Audit work; reviewing management's response 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 financial statements. Both internal and external auditors are given the opportunity to meet privately with the Audit Committee without any member of management present.

Governors' Commercial Committee

This committee oversees the performance and effectiveness of the BBC's commercial subsidiaries. The Governors aim to ensure that the BBC maximises the opportunities to earn additional income for re-investment in public services, but without putting the licence fee at risk.

Statement of compliance with the Combined Code of Best Practice

The BBC has complied throughout the year ended 31 March 2001 with the specific provisions in Section 1 of the Combined Code with the exception of those provisions relating to non-executive directors and shareholder requirements which, as discussed earlier, are not applicable to the BBC.

4 Governors' remuneration report

The Board of Governors acts as a remuneration committee for the BBC. It has responsibility for setting executive remuneration policy, for salary levels and for the bonus awards of executive management. It has no input into the remuneration of its own members since this is determined by government. This report explains the remuneration policy of the BBC for both Governors and Executive Committee members and provides details of their remuneration. In preparing this report the BBC complied with all the applicable provisions of the Combined Code.

Governors: remuneration policy

The members of the Board of Governors receive a fee determined by the Secretary of State for Culture, Media and Sport. They are additionally reimbursed for expenses incurred on BBC business. Expenses regarded by the Inland Revenue as taxable are settled in full by the BBC, including any related tax payments, and reported as benefits in the table on page 51. The increase in annual remuneration notified for 2000/2001

was 2.9% for the Vice-Chairman and the national Governors, and 3.6% for the Chairman and other Governors (1999/2000 4% for the Vice-Chairman and the national Governors, and 3.5% for the Chairman and other Governors). During the year, the Secretary of State decided to increase the nominal number of days for which some members of the Board are paid, reflecting the heavier workload of the Governors and to bring their remuneration into line with other DCMS bodies.

Executive Committee: remuneration policy

Following appropriate consultation with the Director-General, members of the Executive Committee are appointed by the Board of Governors which determines their initial and subsequent remuneration. The Board assesses the performance of the Executive Committee members before determining their annual remuneration and bonus awards. The BBC's Director of Human Resources and Internal Communications provides technical support to the Board in this respect but has no input into decisions affecting his own remuneration.

The Governors aim to ensure that the packages offered to Executive Committee members:

- enable the BBC to attract, retain and motivate high-calibre executives;
- are positioned at the median against a comparator group (which includes other broadcasting organisations, major listed companies and central government agencies) in terms of total cash (basic salary plus annual bonus payment, if any);
- remunerate individuals fairly for individual responsibility and contribution, while providing an element of performance-related pay, reflecting the underlying performance of the BBC; and
- take into account salary policy within the rest of the BBC and the relationship that should exist between the remuneration of Executive Committee members and that of other employees.

In determining appropriate levels, the Governors have access to internal expertise in the remuneration area, annual surveys conducted by external consulting firms and published remuneration information on comparable companies. The remuneration arrangements for Executive Committee members include the following components:

Basic salary

Basic salaries are reviewed in August each year, taking into account external market levels and internal comparisons as well as the individual's responsibilities and performance.

Annual bonus

The Director-General and other members of the Executive Committee participate in a performance-based annual bonus scheme under which payments may be awarded of up to 30% of basic salary. The actual level of payment to individuals is determined following a review of performance against a mixture of qualitative and quantitative objectives set at the beginning of the financial year. The achievement of divisional objectives accounts for up to 50% of the bonus, achievement of Executive Committee objectives for up to 20% of the bonus and there is a discretionary element for individual/operational performance for up to 30% of the bonus.

For the year under review the targets related primarily to objectives which were endorsed by the Governors and published in last year's Annual Report and Accounts, and reflected in the *Statement of Promises*.

Bonuses are now reflected in the financial statements on an accruals basis for the performance period under review. The total remuneration for 2000 has been restated accordingly.

In addition, a long-term incentive plan is in place for the Chief Executive of BBC Worldwide Limited. This is based on a requirement to meet a specific cash flow target over a three-year period which ends in April 2002. At that point a payment of up to 20% of salary could be made.

Benefits

Executive Committee members are eligible for medical insurance covering the executive and family and, where there is a business need, digital reception equipment.

In the past, members of the Executive Committee were eligible for a chauffeur-driven car for business use in addition to a company car and fuel for private use. This benefit has been reduced and new appointees to the Executive Committee are now only eligible for a company car and fuel for private use, with the exception of: the Director of Nations and Regions, who in addition to the company car is provided with a chauffeur-driven car because of the requirements of the role; and the Director-General, who is eligible for a chauffeur-driven car but has no additional entitlement to a company car and fuel for private use.

Pensions

All members of the Executive Committee are eligible to participate in the BBC Pension Scheme, which provides salary-related pension benefits on a defined benefit basis, with an accrual rate of 1/60th of the final salary per year of service, subject to the Inland Revenue earnings cap where appropriate. Only basic salary is pensionable. The Scheme provides for early retirement on medical grounds and life insurance cover of four times salary. A variety of special arrangements have been made for those individuals who have joined the BBC late in their careers whose earnings exceed Inland Revenue limits, including funded and unfunded arrangements outside the BBC Pension Scheme.

Service contracts

Service contracts for members of the Executive Committee have been individually determined. All Executive Committee members have continuing or fixed-term contracts with a maximum of one year's notice of termination by the BBC or the individual executive.

Outside interests

With the agreement of the Board of Governors, members of the Executive Committee may hold external directorships. It is likely that not more than two external directorships of any sort (of which only one should be in a commercial organisation) may be held at the same time. Governors assess such requests against rigorous criteria to ensure that conflicts of interest do not arise. Remuneration which arises from directorships agreed since the introduction of this policy, or subsequent to appointment, is paid to the BBC.

Remuneration received

The remuneration of Governors or Executive Committee members appointed or leaving during the year is included in respect of their period of membership only.

Governors	Fees £000	Benefits £000	2001 £000	2000 £000
Sir Christopher Bland (Chairman)	75	14	89	82
Gavyn Davies (apptd 1.1.2001)	6	–	6	–
Sir Richard Eyre	14	2	16	12
Dermot Gleeson (apptd 1.11.2000)	6	4	10	–
Baroness Hogg	14	2	16	2
Roger Jones	26	4	30	23
Professor Fabian Monds	26	4	30	14
Dame Pauline Neville-Jones	14	4	18	14
Heather Rabbatts	14	2	16	18
Sir Robert Smith	26	–	26	13
Ranjit Sondhi	19	2	21	17
Tony Young	14	3	17	13
Adrian White (retd. 31.10.2000)	8	4	12	15
Baroness Young of				
Old Scone (retd. 30.11.2000)	17	2	19	25
	279	47	326	248

The fees relating to Sir Robert Smith are paid direct to Deutsche Bank which releases him for the required time to the BBC.

In April 2000 the BBC announced a new structure (One BBC) which resulted in the removal of the Board of Management and the enlargement of the Executive Committee. The total remuneration cost of the Executive Committee is correspondingly larger than in 1999/2000.

Executive Committee	Salary £000	Annual bonus £000	Benefits £000	Total 2001 £000	Restated Total 2000 £000
Greg Dyke	347	91	16	454	173*
Jenny Abramsky (apptd 5.4.2000)	198	42	18	258	–
Glenwyn Benson (apptd 6.3.2001)	12	2	1	15	–
Mark Byford	194	69	17	280	256
Carolyn Fairbairn (apptd 11.5.2000)	159	37	16	212	–
Rupert Gavin	262	69	24	355	328
Ashley Highfield (apptd 2.10.2000)	107	43	6	156	–
Gareth Jones	194	49	21	264	51*
Philip Langsdale (apptd 3.4.2000)	187	38	12	237	–
Pat Loughrey (apptd 19.5.2000)	151	35	9	195	–
Margaret Salmon	194	45	24	263	247
Peter Salmon (apptd 1.11.2000)	81	12	12	105	–
Richard Sambrook (apptd 16.3.2001)	9	1	–	10	–
John Smith	214	64	26	304	239
Michael Stevenson (apptd 3.4.2000)	172	30	16	218	–
Mark Thompson (apptd 3.4.2000)	203	54	15	272	–
Caroline Thomson (apptd 1.8.2000)	113	21	10	144	–
Alan Yentob	213	52	25	290	–
Colin Browne (retd 31.5.2000)	30	–	1	31	236
Matthew Bannister (retd 15.12.2000)	136	–	17	153	248
Tony Hall (retd 31.3.2001)	204	44	38	286	259
Lorraine Heggessy (apptd 3.4.2000, retd 30.9.2000)	85	–	1	86	–
Patricia Hodgson (retd 12.6.2000)	36	–	2	38	233
	3,501	798	327	4,626	
Termination payments (see below)				460	
				5,086	

* Appointed part way through 2000.

The total remuneration for the Executive Committee reported in 2000 was £3,306,000 (including annual bonuses paid of £427,000). Restatement of this figure to include bonuses on an accruals basis (excluding members who retired prior to March 2000) increases the reported remuneration to £3,474,000.

Matthew Bannister received termination payments on leaving the BBC of £140,960 and an additional contribution of £54,590 was made to his pension arrangements. Colin Browne received termination payments (including benefits) of £288,954 on leaving the BBC. Tony Hall received an additional contribution of £24,539 to his pension arrangements on leaving the BBC.

Patricia Hodgson received a termination payment of £30,000 and an additional contribution to her pension arrangements of £40,489 in connection with her early retirement.

Chairman and Executive Committee pensions

The BBC provided pension benefits to Governors and Executive Committee members during the period as follows:

	Increase in accrued pension per annum (a) £000	Total accrued pension at 31 March 2001 per annum (b) £000	Transfer value of increase (c) £000	Individual's contributions (d) £000	BBC contributions to money purchase scheme (f) £000
Chairman					
Sir Christopher Bland	1	6	23	3	–
Executive Committee					
Greg Dyke	1	2	23	4	51
Jenny Abramsky	20	111	406	12	–
Glenwyn Benson	–	17	4	1	1
Mark Byford	3	66	38	9	–
Carolyn Fairbairn	1	6	12	4	16
Rupert Gavin	1	4	18	4	34
Ashley Highfield	1	1	6	2	12
Gareth Jones	2	2	20	4	20
Philip Langsdale	2	2	18	4	19
Pat Loughrey	23	66	320	8	–
Margaret Salmon	8	74	160	14	–
Peter Salmon	1	5	8	2	9
Richard Sambrook	1	53	14	1	–
John Smith	14	70	185	15	–
Michael Stevenson	1	10	16	4	15
Mark Thompson	12	63	165	14	–
Caroline Thomson	1	39	8	3	10
Alan Yentob	9	87	172	14	–
Colin Browne	4	22	81	1	–
Matthew Bannister	6	9	69	3	14
Tony Hall	(9)	82	282	12	–
Lorraine Heggessey	1	10	9	2	8
Patricia Hodgson	24	119	563	5	–

No additional voluntary contributions are included in the above table.

The total accrued pension at 31 March 2000 for Sir Christopher Bland was £5,000. An amount of £20,000 was provided in both years to meet the BBC's pension contributions under the Charter to former chairmen and their surviving spouses.

The total accrued pension at 31 March 2000 for Greg Dyke was £1,000. The BBC contribution to money purchase schemes for the year ended 31 March 2000 was £21,000 for Greg Dyke and £134,000 for the other Executive Committee members in aggregate.

The total accrued pensions for Colin Browne, Matthew Bannister, Tony Hall and Lorraine Heggessey have been calculated as at 31 May 2000, 15 December 2000, 31 March 2001 and 30 September 2000 respectively being the dates

when they left the Executive Committee. The total accrued pension for Patricia Hodgson has been calculated as at her date of retirement which was 28 August 2000, rather than the date on which she resigned as a director (12 June 2000).

Notes to pension benefits

- The increase in accrued pension during the year excludes any increase for inflation.
- The pension entitlement shown is that which would be paid annually based on service to the end of the year.
- The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- The transfer value represents the cost to the pension scheme of the increase in annual pension but not a sum paid or due to the individual and therefore cannot be meaningfully added to remuneration.
- These are contributions made by the Chairman and Executive Committee members to the defined benefits scheme during the 2000/2001 financial year.
- This is the actual BBC contribution to a separate money purchase (defined contribution) pension scheme.

5 Programmes from independent producers

UK programme quotas

Under the Broadcasting Act 1990 the BBC has a duty to ensure that not less than 25% of the amount of time allocated to the broadcasting of qualifying television programmes is allocated to the broadcasting of a range and diversity of independent productions. The Director-General of the Office of Fair Trading (OFT) is required to report to the Secretary of State periodically on the extent to which the BBC has, in his opinion, performed that duty. His report for the period 1 April 1999 to 31 March 2000 has not yet been published but current indications are that the OFT will conclude that the BBC has achieved the target.

EU programme quotas

European Community legislation requires Member States to ensure that broadcasters reserve for European works a majority proportion of their television transmission time excluding the time devoted to news, sports events, games, adverts, teletext services and teleshopping. The legislation also requires broadcasters to reserve at least 10% of their transmission time for European works (excluding works of the kind described above) made by independent producers.

The BBC exceeded EU quotas in the calendar year 2000. Of the relevant BBC One and BBC Two output, 72% was of European origin (as against 65% in 1999) and 17% was made by European independent producers (18% in 1999). Of the relevant output of all BBC channels (including BBC Choice and BBC News 24), 88% was of European origin and 15% was made by European independent producers.

6 Other rules

On-air trails

Following the 1992 report of the Monopolies and Mergers Commission (on the publicising, in the course of broadcasting, of goods supplied by the broadcaster), the BBC gave an undertaking to the Office of Fair Trading to use only still trails to give information about BBC magazines.

The terms of the undertaking also commit the BBC not to exceed more than seven minutes as an aggregate across a seven-day period in relation to on-air promotions of BBC magazines. During the period 1 April 2000 to 31 March 2001 the total for all BBC magazines (including *Radio Times*) was 1 hour 39 minutes of transmission (1999/2000 1 hour 25 minutes 45 seconds), which averages out at 1 minute 54 seconds in a seven-day period (1999/2000 1 minute 39 seconds).

The restriction only applies to BBC magazines. The BBC, however, voluntarily applies the spirit of the undertaking to all BBC Worldwide products. During 2000/2001 the weekly total for all BBC Worldwide products has averaged 4 minutes 11 seconds (1999/2000 3 minutes 12 seconds), well within the seven-minute restriction.

European Channel Broadcasting

The Department of National Heritage Approval dated 11 December 1994 set out the main conditions on which European Channel Broadcasting Limited should provide the BBC World and the BBC Prime satellite services in continental Europe. These were compliant with:

- the European Convention of Transfrontier Television;
- Council Directive 89/552/EC (on broadcasting activities); and
- relevant ITC codes.

A further requirement was arm's length trading relationships with the BBC and BBC Worldwide Limited. The BBC's Fair Trading Policy was applied and the services were operated on an arm's length basis.

On 7 October 1999, the Independent Television Commission granted satellite services licences to European Channel Broadcasting Limited in respect of BBC World and BBC Prime for a period of ten years from 10 October 1999. This supersedes the Department of National Heritage Approval, which was varied accordingly.

In addition to compliance with the relevant ITC codes, the BBC-made programmes shown on the channels are produced in accordance with the *BBC Producers' Guidelines*.

Donations and acknowledgements

In addition to broadcast appeals detailed on page 39, donations to charities by BBC Worldwide Limited amounted to approximately £19,000 during the year. No political donations were given in the year.

The BBC acknowledges financial grants from the European Commission for widescreen broadcast service funding under the 1997 Action Plan for the introduction of advanced television services in Europe.

7 Environmental statement

During 2000, the Board of Governors approved a new Environmental Policy which took into consideration the recommendations of the Turnbull Report, the Company Law Review, the Global Reporting Initiative (GRI) and also the views of the BBC's stakeholders, audiences, contributors, interest groups and staff. The BBC is committed to meet its objectives in an environmentally sound and sustainable manner and aims to minimise any adverse impact on the environment from its activities and to improve continuously its environmental performance.

Organisation, management and structure

The Environmental Policy and management framework are now in place. A pan-UK, cross-division steering group which reports to the Board of Governors has been formed to own and sponsor environmental objectives, and working groups are now meeting to help refine and deliver the strategy. The steering group is supported by six working groups: communications, utilities, waste, transport, supply chain and property. The BBC has also appointed external advisers to support the steering group.

The BBC's policy and programme has been reviewed by consultants Environment Resources Management (ERM). ERM stated that, 'The BBC can make a significant contribution to the environmental agenda and thereby enhance its reputation in the UK and overseas'.

The BBC will achieve improvement through setting and meeting a range of targets. Its targets are currently being reviewed and will be published in the BBC's first environmental review, available before the end of 2001. The review will also include baseline carbon dioxide emissions and impacts on waste, water energy efficiency and transport using Department of the Environment Transport and the Regions guidance.

Actions to date

The BBC has participated and adopted the recommendations of a number of public projects including the 'Greening' Government Initiative (GGI). It has integrated the 'Model Improvement Programme for Greening Operations' into our key performance areas. We have also been involved in consultation processes for the Advisory Committee on Business and the Environment (ACBE).

In addition, the BBC is integrating sustainable construction issues into its planned new property developments at each stage of the construction process and throughout the life cycle of the building: architect selection, design, procurement and site practices. The BBC aims to improve the quality of life of local communities through implementing travel plans, improving levels of employment and continuing with mentor projects.

Achievements

While the BBC's Environmental Policy is still in its infancy, a number of projects have already been successfully implemented including the following:

- BBC Worldwide magazines use Forestry Stewardship Commission (FSC) paper;
- Energy efficiencies in London buildings have been formally accredited by the Institute of Energy;
- The regional broadcasting centre in Southampton uses geothermal cooling.

The BBC took part in the 2000 Business in the Environment (BiE) survey for the FTSE 350 and other companies. BiE is a non-profit-making organisation that promotes corporate environmental responsibility. The BBC's overall score was 72% matching the FTSE 100 average. In the Cyclical Services sector the BBC achieved a position of 15 out of the 51 participating companies and second in the media and photography group.

The PEG survey benchmarked BBC properties' environmental engagement against similar-sized organisations. The survey covered existing developments, new build and portfolio management. The BBC overall ranked second out of the 19 companies which participated. It ranked first against property-specific criteria and seventh against the BiE criteria for corporate environmental engagement. Participating companies include BT Property, British Land and Land Securities.

8 Social statement

The BBC has significant responsibilities to act as a socially responsible employer and member of the community. Most importantly, the BBC should comply with relevant legislation, adopt best employment practice, develop a diverse workforce with opportunities for all and develop strong and open community relations which are underpinned by strong ethical principles.

Employment and diversity

The BBC has a policy framework which aims to reflect best practice and ensure compliance with relevant legislation. The BBC is committed to developing a diverse workforce, with opportunities for all, irrespective of race, colour, creed, ethnic or national origin, marital status, gender, disability or age.

We aim to be an employer of choice for all people whatever their cultural background or personal circumstances. This stems from the BBC's need not simply to comply with legislation – though we do that – but from the need to attract the most talented and creative people. The BBC recognises that if it wants to broadcast successfully to all members of society it needs the capacity to reflect all members of society on its screens and airwaves. The BBC recognises that its ability to do this will increase as the diversity of its workforce increases.

The BBC has long had gender and ethnicity minimum targets and the latter have recently been reviewed; ethnicity targets now stand at 4% for senior managers and 10% for the rest of

the BBC, to be achieved by 2003. The BBC has continued to make progress towards achieving its workforce composition targets as shown below:

	31 March 2001 %	31 March 2000 %	Minimum target %
Proportion of women in management			
Senior executives	36.9	32.8	30
Senior managers	34.1	33.2	40
Middle managers and senior professionals	38.0	37.5	40
Proportion of people from ethnic minorities in the workforce			
BBC Group	8.4	8.2	8
London Home Services*	9.4	9.2	8
World Service	27.4	26.8	8
Scotland**	1.2	1.2	2
Wales**	1.5	1.1	2
North**	4.1	3.6	4
South**	3.5	3.4	4.7
Midlands and East**	7.1	7.0	6

* Includes London-based BBC Resources Limited.

** Includes Home Services staff and BBC Resources Limited staff based in the regions.

The composition of the World Service workforce reflects the multi-lingual nature of its broadcasting and significantly exceeds the BBC's target of 8%.

People with disabilities are fully and fairly considered for training, career development and promotion. The BBC has recently produced guidelines on employing disabled people. These aim to ensure not only that we meet our legal responsibilities under the Disability Discrimination Act, but also to increase the number of people with disabilities within our workforce. The BBC's policies and practices are in line with the Code of Practice on Age Discrimination in Employment.

Employee participation

The BBC has a range of consultation forums at group and divisional level – including the BBC Forum. Regular meetings are held with the recognised unions: BECTU (Broadcasting Entertainment Cinematograph and Theatre Union), NUJ (National Union of Journalists) and AEEU (Amalgamated Engineering and Electrical Union).

We continue to monitor our employment and communications practices, and we conducted staff and internal communications surveys during the year.

Development and training

We invested more than £38 million in development during the year, and we contributed to industry-wide training initiatives. Staff in all areas have opportunities to develop their skills, such as reskilling and new ways of working.

Health and safety

Work has continued on actions to maintain compliance and improve the management of health and safety risks. In particular this year, the BBC has strengthened its safety management

framework, launched a new Health Surveillance Policy and has introduced a new interactive safety induction CD-Rom for new employees along with additional training for line managers in Production and Resources areas.

Against this background, there was an overall increase in the number of reportable accidents, none fatal. Efforts are being stepped up to reduce the risk of accidents in the coming year.

BBC regional and London premises were subject to visits by health and safety enforcement agencies during the year. Where any weaknesses or breaches were revealed action has already been taken to implement fully the enforcement agencies' recommendations.

Community relations

The BBC has a strong and open relationship with local communities through the following strategies and programmes:

Voluntary work

The BBC relies on communities for funding through the licence fee, for recruiting staff and also for its service delivery. It also draws on those communities for the stories and contributors in its programmes. A practical way in which the BBC can give something back to communities is to encourage its staff to volunteer and share their skills with community groups.

The BBC has developed a Community Involvement Policy and established a BBC-wide Forum to share best practice internally and externally. In addition, a Community Involvement intranet site details case studies and identifies volunteering opportunities, and the BBC has established links with employer networks and community organisations committed to corporate social responsibility and active citizenship.

Skills development

BBC Training and Development works in partnership with organisations and networks across diverse communities, providing learning and development opportunities in the areas of broadcast and media skills. An example of this is our work with Youth Culture Television (YCTV), a charity providing TV production training for disadvantaged 11 to 20 year-olds. We are also involved in various government sector and education initiatives which support people seeking employment and job-related training.

Partnerships

Where the BBC has major broadcasting facilities it continues actively to participate in local partnerships between the public, private and voluntary sectors to assist in promoting the socio-economic development of the area. In Glasgow the BBC has been heavily influential in a fresh approach to the Pacific Quay site. In Hammersmith and Fulham in west London, the BBC is represented on the executive of a local regeneration partnership and also the local environmental trust, Groundwork. We also run various local radio projects including social action projects which build on local partnerships to help to ensure that regional output meets communities' needs.

Property development planning

As part of the implementation of its strategy, the BBC is committed to wide consultation with those most directly affected by its proposed property developments. This process has begun recently with a number of exhibitions and discussions with the local communities surrounding the White City site in west London. We have also produced a new staff travel plan which launches a number of initiatives to encourage staff to travel to work by transport other than their private cars. Improved public transport services and a better environment for pedestrians and cyclists will be of equal benefit to local residents, and support the BBC's Environmental Policy.

Socially responsible investment

The BBC is committed to ensuring that at all times its business is conducted in accordance with the principles enunciated by Lord Nolan's committee on standards in public life. The trustees of the BBC Pension Scheme are committed to the same standards. Consequently they have established policies on both socially responsible investment and corporate governance that apply to companies in which they invest.

On socially responsible investment they have made clear their desire not to encourage socially irresponsible behaviour through the Scheme's investments. This includes environmental and ethical considerations. In drawing up their policy on corporate governance they took account of the recommendations of the Combined Code on corporate governance and best practice in this area of activity.

Ethical policy

The BBC conducts its business according to standards of good ethical, employment and environmental practice. The BBC expects its suppliers to operate on the same principles. In particular, BBC Worldwide Limited has developed a code of conduct applicable to its direct suppliers, who in turn are required to supervise their subcontractors, to observe best practice in relation to general employment practices, the employment of appropriate workers, worker insurance, working environment, respect for the individual worker, environmental standards, ethical standards, equal opportunities and freedom of association. The BBC is introducing this code of conduct following its successful implementation in BBC Worldwide Limited.

Financial Review

Change

We are in the midst of substantial change:

- The One BBC project has fundamentally reorganised the BBC. 190 business units have been reduced to 53. Large divisions have been dismantled and a radically new approach to non-programme activity has allowed us to aim at annual savings in overheads of £166 million by the end of 2004. The proportion of income being spent on programmes has risen from 76% to 81% this year, and we are well on track to meet the target of 85% by 2004.
- Plans to transform the performance of our existing range of services have been approved.
- Many new services await approval from the Secretary of State for Culture, Media and Sport for launches in 2001.
- Programme spending will rise by more than £450 million within two years – a rise of more than 20% and the largest increase in the BBC's history.
- The BBC has adopted the SAP platform to run its business. This reduces the number of accounting systems from 11 to one, reduces by 75% the volume of internal trading, delivers a single, outsourced, shared service centre and cuts the cost to the BBC of financial management by 50%. This is one of the largest SAP implementations in Europe and has over 5,000 system users within the BBC.
- A radical new property strategy (over seven years) reduces the number of key sites in London. The ending of the lease at Bush House provides a more coherent purpose for the remaining sites: Broadcasting House, combining the World Service, Network Radio and News, will become the world's biggest live broadcasting centre. TV Centre in Shepherd's Bush will be returned to its original purpose – a multi-genre TV production centre. The 14-acre White City site will become a media village designed to attract other companies who work with the BBC into a regenerated series of buildings and streets built over the old greyhound stadium. Some of the UK's best architects have been engaged at sites across the UK as we begin to realise the vision of opening up the BBC to the public. It is intended that all this development will be financed by a private sector/BBC Property joint venture which is being finalised now.

Licence fee

Licence fee income was £2,371 million, an increase of £85 million. This year was the first under the new settlement reached with the Government after the report by the Committee led by Gavyn Davies. The settlement provided an increase of RPI +1.5% which will be the pattern each year until Charter renewal. That supplement produced £35.1 million of the increase in income.

During the year we learned of the wish of our main licence fee contractor, Envision, not to continue with the contract and responded by agreeing new, temporary terms with the Post Office. We have announced our intention to find a new innovative approach to licensing and, via the European competition process, we are part way through a tender round, expecting to sign a longer-term contract later in the year.

The year also saw the introduction of important new concessions. From 1 April 2000 a discount of 50% was available for those registered as blind and, with effect from 1 November 2000, licence payers who are over 75 were able to receive a free licence once registered with TV licensing. The BBC is compensated by HM Treasury for the revenue foregone by this concession.

The level of recorded evasion (using the DCMS definition) fell to a new low of 5.2%.

It is still our aim to make it as easy as possible for all households to find a way of paying their licence. In recent years new weekly and monthly cash-based schemes have been introduced and research suggests that very few (less than 0.3%) of households cannot use one of the 13 schemes now on offer via 25,500 outlets. Although many households still like to pay their licence directly in Post Offices or by post, 42% of households now pay by direct debit. Take-up of web-based payment has been very low (0.06%).

Commercial earnings

The licence fee dominates the BBC's sources of funds (75% of total income), but commercial initiatives are growing.

BBC Worldwide Limited grew its turnover, including shares of joint ventures, to £587 million (sales growth of 14%) and achieved an EBITDA margin of 20% – the key measure of profitability for a business in this market. This included profits on disposals of £18.2 million. Crucially for the BBC the net cash benefit to the BBC reached a record £96 million. All this was achieved in a year when many new ventures were either finalised or launched.

BBC Resources Limited went through a major review and was restructured and slimmed down. The remaining business focuses on studios, outside broadcasts, post-production and graphic design. A heavy investment in restructuring costs resulted in a pre-tax loss of £11.5 million, but the expectation is that this will result in significant cost savings which will pay back in later years. The loss-making studio in Birmingham was closed and a joint venture signed with Granada for studio use in Manchester. We also announced our intention to sell the Wood Norton Hall and Conference Centre.

An entirely new business was created at the end of the year. BBC Technology Holdings Limited brings together 943 staff from around the BBC who work in desktop support, web-hosting, network infrastructure, broadcasting control and technology consulting. The company has had a considerable number of potential sales leads and partnering opportunities. We expect this company to become a significant contributor of value quite quickly.

Costs

The attack on overheads has been vigorous with around £45 million saved in the year which puts us well on track to meet the overall savings target of £166 million within three years.

These savings together with the rises in income allowed us to start to increase our programming spend – up 10% (£165 million in the year), with the big increases to come over the next two years. A full breakdown of the spend by service is on page 68.

Spending on digital services reached £144 million (5.9%) and on new media £51.9 million (2.1%). Since launch, the total spending on all things digital has now reached £636 million; less than half of this has come from above-RPI licence fee increases, and the rest from our own self-help.

By genre the bulk of the BBC's spend continued to be geared towards the Factual and Information genres, but £256 million was spent on Sport, £133 million on Music and Arts and £60 million on Children's output. These figures will all rise over the next two years.

Our investment in creative leadership continues. £203 million was spent on programmes made by independent suppliers, £188 million on talent and contributors, £63 million on copyright and music rights and £24 million on live classical music from the BBC's five in-house orchestras.

In the Regions, 38% of all Network TV spend and 31% of all Network Radio spend was outside London and the South East. In addition to this, £413 million was spent on national and local output, making an overall investment in output from the Nations and Regions of £666 million.

Operating result

The BBC does not have shareholders and therefore does not aim to make a profit. Operating surpluses and deficits simply represent timing differences between income and expenditure. The operating deficit has been caused by increasing spend on services by more than the increase in income.

Balance sheet and cash

The good financial health of the BBC continued with a year-end cash balance of £224.2 million (excluding £140.1 million advance deposits under the TV licence savings stamps scheme). The cash balance has stayed high in spite of the launch of digital services and the creation of Europe's largest online site. This provides a very good platform from which to increase greatly programming spend next year.

Explanation of decrease in BBC cash

	<i>£m</i>
Cash at the start of the year	259
Home Services income	2,406
Worldwide cash flow to the BBC	96
Spend on analogue services*	(2,055)
Spend on digital services	(196)
Licence fee collection costs	(132)
Transmission costs	(118)
Interest received, net of tax paid	9
Increase in fixed asset base (net of depreciation)	(6)
Increase in working capital	(15)
Other spend	(24)
Cash at the end of the year	224

* Including BBC Worldwide Limited direct investment in BBC programmes.

Some other initiatives are likely to strengthen our financial position even further – the property joint venture will produce a cash inflow and reduce our property costs immediately on signature. The commercial businesses will add to this.

The high cash balance produced interest income of £28 million which also contributed to the healthy picture.

Spending on fixed assets increased to £128 million, broadly in line with historic levels and sufficient to ensure the asset base does not erode in real terms. Most of the investment went into technology assets and into property, as implementation of the property strategy began in earnest.

Major projects included preparation work for the development of the 14-acre White City site and the redevelopment of Broadcasting House.

We have also secured favourable long-term contracts for sports rights and some acquired drama series. These deals have increased our long-term contractual commitments by over £300 million.

Summary

The BBC is going through major changes. The increase in spending will provide more good programmes and a better range of services. That boost in spending is financed only partly by above RPI licence fee increases. Most of it comes from self-help: reduced evasion/collection costs; higher commercial earnings; reductions in overheads.

As the BBC steers through this change it is in good financial shape: a high cash balance; an upgraded and simplified financial system; and a good record of strong budgetary control. This gives the BBC the best chance of success in meeting its aims.



John Smith *Director of Finance, Property and Business Affairs*

Glossary of Terms

Associates	Businesses in which we exert influence over policies but do not have overall control.
BBC Group	Includes <i>BBC Home Services</i> , <i>BBC World Service</i> and commercial companies, mainly <i>BBC Worldwide Limited</i> , <i>BBC Resources Limited</i> and <i>BBC Technology Holdings Limited</i> .
BBC Home Services	Provides public service TV, radio and internet broadcasts in the UK through licence fee funding.
BBC Resources Limited	The commercial subsidiary engaged in the provision of equipment, facilities and services to the BBC and external customers.
BBC Technology Holdings Limited	The commercial subsidiary engaged in the provision of technology services to the BBC and external customers.
BBC World Service	Provides public service broadcasts overseas and international media monitoring in the UK.
BBC Worldwide Limited	The commercial subsidiary engaged in licensing, TV channels, publishing and merchandising.
Commercial businesses	The activities of <i>BBC Worldwide Limited</i> , <i>BBC Resources Limited</i> and <i>BBC Technology Holdings Limited</i> and their subsidiaries.
Consolidated financial statements	Includes the financial results in aggregate for the <i>BBC Group</i> . Additionally the Group's share of profits and losses from <i>associates</i> and <i>joint ventures</i> is included where appropriate.
Defeasance deposits	Cash deposits that are linked to a matching creditor. We can only use these deposits to settle the linked liability.
Goodwill	The difference between the value paid for a business and the value of its net assets, representing the amount the purchaser is prepared to pay for the name and reputation of the business and its expected future profit streams.
Grant-in-Aid	Amount granted by Parliament to be spent by <i>BBC World Service</i> in accordance with governing legislation.
Joint ventures	Businesses which we jointly control with other parties such that all parties have a power of veto over policies of which they do not approve.
Public services	The activities of <i>BBC Home Services</i> and <i>BBC World Service</i> .
Related parties	Includes Governors, executive management, their immediate families and external entities controlled by them.
Subsidiary undertakings	Businesses which we control.

As a public service broadcaster, the BBC strives to adopt the highest standards of reporting and transparency of information.

Although not mandatory, we comply with the Companies Act 1985, UK Accounting Standards and the reporting requirements of the UK Listing Authority so that we publish financial information to the extent expected of public companies in the UK. The pages that follow include that information in detail.

We are also subject to a range of regulatory requirements, and the Governors report on our compliance with these on pages 44 to 55.

In line with other UK companies, we publish and file with Companies House audited financial statements for all our subsidiaries.

These financial statements are available online. Copies may also be obtained by writing to The Secretary, BBC, Broadcasting House, Portland Place, London W1A 1AA.

Statement of Accounting Policies

This section explains the BBC's main accounting policies, which have been applied consistently throughout the year and with the preceding year except where stated. A footnote in italics follows some policies to explain in plain English the technical aspects of the accounting treatment.

The financial statements have been prepared in accordance with the provisions of the BBC's Charter and Agreement. Although not mandatory, the BBC has chosen to follow the accounting and disclosure provisions of the Companies Act 1985, applicable UK accounting standards and the rules of the UK Listing Authority to ensure that its financial statements are prepared on a basis consistent with that of UK public limited companies.

Basis of accounting

The financial statements are presented under the historical cost accounting convention as modified by the revaluation of certain plant, machinery, furniture and fittings. The BBC has adopted early the following accounting standards:

- **FRS 17, Retirement Benefits.** The BBC has adopted early the first year transitional arrangements of FRS 17. These require certain additional disclosures to be given which are included in note 4. There is no effect on the results or financial position of the BBC, as the transitional provisions require only disclosures to be made. FRS 17 will be fully adopted in the financial statements for the year ended 31 March 2002.
- **FRS 18, Accounting Policies.** Adoption of this standard has not had any material impact on the results of the BBC.
- **FRS 19, Deferred Taxation.** There is no material impact on the results of the BBC but additional disclosure is provided in note 7.

Basis of consolidation

The BBC Group comprises the Home Services, BBC World Service and the BBC's commercial subsidiary companies, mainly BBC Worldwide Limited, BBC Resources Limited and BBC Technology Holdings Limited. Unless otherwise stated, 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 statement of income and expenditure 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 from 20–50% 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 statement of income and expenditure and its interest in their net assets is included in the consolidated balance sheet.

A separate income and expenditure account reflecting the results of the Home Services has not been presented, as permitted by Section 230 of the Companies Act 1985.

These accounts of the BBC Group include the results of all businesses controlled by the BBC (subsidiaries) together with the BBC's share of the results of businesses where we influence their policies (associates) and those which we jointly control (joint ventures).

Investments

Investments are recorded on the balance sheet of the Home Services at cost less provision for any impairment in value. The funding of the Home Services and the BBC World Service is legally separate and cross-subsidisation is not permissible. Accordingly, for the purposes of preparing the Home Services' balance sheet, the Home Services are considered to have an investment in BBC World Service equal to the net assets of the World Service.

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 operating reserve. On disposal, goodwill previously written off against reserves is transferred to the statement of income and expenditure for the year.

Income

Income derived from television licences, receivable from the Department of Culture, Media and Sport, represents the value of licences issued in the year. The amount which can be paid in cash to the BBC for any year cannot exceed the total amount voted by Parliament for that year. Any difference between the value of licences issued and the amount voted is adjusted in the amount of cash received in the following year. Any amounts which have not been paid to the BBC are included within debtors.

BBC Worldwide Limited income is shown net of value added tax and trade discounts and predominantly represents: licence fees from the distribution of joint productions; agency income and commission from the distribution of programmes on behalf of the BBC and other producers; income from joint venture TV channels; and income from the sale of magazines, books, videos, compact discs, tapes and character merchandise.

BBC Resources Limited income is shown net of value added tax and trade discounts and predominantly represents rental income from the provision of equipment, facilities and services to the BBC and external customers.

BBC World Service income, primarily derived from Grant-in-Aid from the Foreign and Commonwealth Office, is intended to meet estimated expenditure in the year but unexpended receipts for the year, within predetermined limits, are not liable to surrender.

Statement of Accounting Policies

The distinction between the various income sources is important. The BBC is careful not to cross-subsidise commercial and public service activities or Home and World Service activities. More information on these BBC fair trading requirements and policies can be found on pages 44 to 47 of this report.

Foreign currency translation

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

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 statement of income and expenditure.

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 operating reserve, together with the differences arising when the profit and loss accounts are re-translated at the rates ruling at the year end. Other exchange differences are taken to the statement of income and expenditure.

As these financial statements are prepared in sterling, the BBC's foreign currency transactions and balances must be translated, at appropriate exchange rates, into sterling. This policy states how those retranslations are included in the financial statements and is consistent with the methods used by many companies.

Pension costs

The BBC operates both defined benefit and defined contribution schemes for the benefit of employees.

The defined benefit schemes, of which the majority of staff are members, provide benefits based on final pensionable pay. Amounts are charged to expenditure so as to spread the cost of pensions over employees' working lives with the BBC. Any difference between the charge to the income and expenditure account and the contributions paid is shown as a provision or prepayment on the balance sheet. The assets of the BBC's main scheme are held separately from those of the Group.

The amounts charged as expenditure for the defined contribution scheme represent the contributions payable by the BBC for the accounting periods in respect of this scheme.

As noted above, the BBC has adopted early the first year transitional arrangements of FRS 17, *Retirement Benefits*, and has therefore disclosed the closing balance sheet position of the defined benefit scheme. The main difference between the figures provided under FRS 17 and SSAP 24 is that the valuation of assets in the scheme is based on market valuation rather than longer-term actuarial valuation. The main impact of this is that there will be greater volatility in the pension scheme surplus

as the valuation must reflect market conditions at a particular point in time. For the BBC this is 31 March.

On retirement, members of the BBC's main pension scheme are paid their pensions from a fund which is kept separate from the BBC Group. The BBC makes cash contributions to that fund in advance of members' retirement. The contributions are charged to the income and expenditure account so as to spread the cost as evenly as possible over the working lives of the members.

Research and development

Research and development expenditure is written off as incurred.

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.

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

Land and buildings

Freehold land	– not depreciated
Freehold and long-leasehold buildings	– 50 years
Short-leasehold land and buildings	– unexpired lease term

Plant and machinery

Computer equipment	– three to five years
Furniture and fittings	– three to ten years

Home Services' plant and machinery is stated at the estimated current replacement cost of the assets, adjusted for remaining service potential, as at 31 March 1993, or cost if acquired later, less accumulated depreciation.

BBC World Service's plant and machinery and furniture and fittings are stated at the estimated current replacement cost of the assets, as adjusted for remaining service potential, as at 1 April 1996, or cost if acquired later, less accumulated depreciation.

The BBC has revalued its assets once, when the internal market was introduced, but has chosen not to revalue its tangible assets on an ongoing basis. This reflects the fact that they are used within the BBC rather than being held for resale or their investment potential. Assets are therefore included at the amount they cost when purchased or constructed (in either case less subsequent depreciation). The asset lives are reviewed regularly to ensure that they remain appropriate.

Investment in programmes for future sale

Investment in programmes for future sale is stated at cost, after writing off the costs of programmes that are considered irrecoverable, less accumulated amortisation. Amortisation of investment in programmes for future sale is charged to the

income and expenditure account over the estimated average marketable life of the programme genre which is generally between five and ten years. The cost and accumulated amortisation of investment in programmes for future sale are reduced by programmes which are fully written off.

The cost of programmes for sale is charged to the income and expenditure account to match the expected timing of income from future sales.

Originated programme stocks and work in progress

Originated programme stocks and work in progress, including those commissioned from independent producers, are stated at the lower of cost and net realisable value. With the exception of the costs of prepaid repeats of independent programmes, the full stock value is written off on first transmission.

Cost includes all direct costs, production overheads and a proportion of other attributable overheads.

Net realisable value is based upon arm's length contract prices negotiated between the channel controllers and programme makers.

The cost of programmes developed or commissioned by the BBC is charged to the income and expenditure account when transmitted.

Acquired programmes and film stocks

The costs of acquired programmes and film stocks are written off on first transmission except to the extent that further showings are likely in the foreseeable future, when they are written off according to their expected transmission profile.

Assets and liabilities relating to acquired programmes are recognised at the point of payment or commencement of the licence period, whichever is earlier. Agreements for the future purchase of programmes whose licence period has not commenced and where there has been no payment by the balance sheet date are disclosed as purchase commitments.

The costs of programmes and films bought from external suppliers are charged to the income and expenditure account in the period of transmission. Where programmes are expected to be shown more than once, an element of the cost is spread over the expected subsequent periods of transmission.

Other stocks

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

Operating leases

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

An operating lease is a lease in which the lessee has not taken on the risks and rewards of owning and operating the asset. The lessee – the BBC – has not acquired an asset but is hiring it, so the hire charge is included in the BBC's costs.

Finance leases

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 income and expenditure account, and the capital element which reduces the lease creditor.

A finance lease is a lease that transfers substantially all the risks and rewards of owning and operating an asset to the lessee. Effectively the lessee owns the asset and has financed it by borrowing, so the lease is treated as an asset in the balance sheet.

Deferred tax

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

Deferred tax is corporation tax which is not payable at a specific time but which is expected to become payable in the future.

Reserves

The value of the capital reserve is equal to the combined net book value of fixed assets of the Home Services and the BBC World Service at historic cost.

The revaluation reserve reflects the difference between the net book value of fixed assets of the Home Services and BBC World Service at historic cost compared with their revalued amount.

The operating reserve is the accumulated surplus of the income and expenditure account to date.

The BBC is careful not to mix Home Services and BBC World Service reserves. Hence BBC World Service reserves are shown separately in the notes to the financial statements.

Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise bank deposits not repayable on demand and other short-term investments which include gilts, certificates of deposit and commercial paper.

Consolidated Statement of Income and Expenditure

for the year ended 31 March

	Note	2001 £m	2000 £m
Income	1	3,164.5	3,003.2
Operating expenditure	2	(3,192.7)	(3,023.9)
Group operating deficit		(28.2)	(20.7)
Share of operating surplus of associates and joint ventures*		0.9	0.2
Operating deficit	3	(27.3)	(20.5)
Profit on disposal of a business and shares in subsidiary	5	18.2	–
Deficit before interest and taxation		(9.1)	(20.5)
Net interest receivable	6	25.8	23.4
Surplus before taxation		16.7	2.9
Taxation	7	(9.6)	(14.8)
Minority interest		0.5	–
Surplus/(deficit) for the financial year	17	7.6	(11.9)

* The BBC has entered into certain joint ventures but has no obligation to make good its share of the operating losses for the year of £4.0 million (2000 £9.7 million), and as such these operating losses have not been included in these financial statements. See note 12c for further details.

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

Balance Sheets

at 31 March

	Note	Group 2001 £m	Group 2000 £m	Home Services 2001 £m	Home Services 2000 £m
Fixed assets					
Intangible fixed assets	8	0.5	–	–	–
Tangible fixed assets	10	817.0	812.9	466.4	576.4
Investment in programmes for future sale	11	117.2	112.7	–	–
Other investments*	12	1.8	0.7	339.2	224.7
		936.5	926.3	805.6	801.1
Current assets					
Stocks	13	406.1	345.9	386.5	330.5
Current debtors	14	648.2	544.0	544.7	426.5
Long-term debtors	14	47.8	32.8	44.8	69.1
Total debtors		696.0	576.8	589.5	495.6
Short-term investments	19	253.4	257.6	253.4	257.6
Cash at bank and in hand	19	117.9	173.9	80.3	150.3
		1,473.4	1,354.2	1,309.7	1,234.0
Creditors – amounts falling due within one year	15	(844.6)	(796.5)	(657.7)	(648.0)
Net current assets		628.8	557.7	652.0	586.0
Total assets less current liabilities		1,565.3	1,484.0	1,457.6	1,387.1
Creditors – amounts falling due after more than one year	15	(51.3)	(34.1)	(21.7)	(10.8)
Provisions for liabilities and charges	16	(108.9)	(54.3)	(91.3)	(40.7)
Net assets		1,405.1	1,395.6	1,344.6	1,335.6
Represented by					
Operating reserve	17	607.3	599.1	546.3	539.1
Capital reserve	17	791.1	788.5	791.1	788.5
Revaluation reserve	17	7.2	8.0	7.2	8.0
		1,405.6	1,395.6	1,344.6	1,335.6
Minority interest		(0.5)	–	–	–
		1,405.1	1,395.6	1,344.6	1,335.6

* The BBC has entered into certain joint ventures but has no obligation to make good its share of the net liabilities at 31 March 2001 which amounted to £88.2 million (2000 £83.6 million) and as such these liabilities have not been included in these financial statements. See note 12d for further details.

The financial statements were approved by the Governors and Executive Committee on 11 June 2001 and signed on their behalf by:

Sir Christopher Bland *Chairman*

Greg Dyke *Director-General*

John Smith *Director of Finance, Property and Business Affairs*

Statement of Total Recognised Gains and Losses

for the year ended 31 March

	2001 £m	2000 £m
Surplus/(deficit) for the financial year	7.6	(11.9)
Exchange differences on retranslation of overseas subsidiaries	2.4	0.2
Total recognised gains and losses since the last annual report	10.0	(11.7)

Group Historical Cost Surplus and Deficit

for the year ended 31 March

	2001 £m	2000 £m
Surplus before taxation	16.7	2.9
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on revalued assets	0.8	1.3
Historical cost surplus before taxation	17.5	4.2
Historical cost surplus/(deficit) for the financial year	8.4	(10.6)

Reconciliation of Movement in Reserves

for the year ended 31 March

	Group 2001 £m	Group 2000 £m	Home Services 2001 £m	Home Services 2000 £m
Surplus/(deficit) for the financial year	7.6	(11.9)	9.0	(7.4)
Other recognised gains and losses relating to the year	2.4	0.2	–	–
Increase/(decrease) in reserves during the year	10.0	(11.7)	9.0	(7.4)
Opening reserves	1,395.6	1,407.3	1,335.6	1,343.0
Closing reserves	1,405.6	1,395.6	1,344.6	1,335.6

Consolidated Cash Flow Statement

for the year ended 31 March

	Note	2001 £m	2000 £m
Net cash inflow from operating activities	18	129.0	184.3
Return on investments and servicing of finance			
Interest received		26.3	29.0
Interest paid		(2.1)	(0.2)
Net cash inflow from return on investments and servicing of finance		24.2	28.8
Taxation			
Taxation paid		(14.8)	(20.4)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(140.8)	(114.4)
Investment in programmes for future sale		(76.3)	(82.8)
Proceeds from the sale of tangible fixed assets		2.3	1.5
Net cash outflow from capital expenditure		(214.8)	(195.7)
Acquisitions and disposals			
Purchase of a subsidiary and a business net of cash acquired	9	(0.6)	–
Proceeds from sale of shares in a subsidiary and a business	5	18.7	–
Net cash inflow from acquisitions and disposals		18.1	–
Net cash outflow before use of liquid resources		(58.3)	(3.0)
Management of liquid resources			
Net cash withdrawn from deposit	19	2.5	68.5
Sale of other liquid resources	19	4.2	97.7
Net cash inflow from management of liquid resources		6.7	166.2
Financing			
Increase in loans	19	–	18.9
Repayment of loans	19	–	(3.1)
Net cash inflow from financing		–	15.8
(Decrease)/increase in cash	19, 20	(51.6)	179.0

Notes to the Financial Statements

for the year ended 31 March

1 Income, surplus/(deficit) and net assets

1a Analysis of income, surplus/(deficit) and net assets by activity

Note	Public services Home Services £m	World Service £m	Commercial Worldwide £m	Other £m	Total £m
2001					
Total income	2,734.7	204.5	587.2	324.7	3,851.1
Intra Group income	(328.4)	-	-	(290.6)	(619.0)
Share of joint ventures	-	-	(67.6)	-	(67.6)
Group external income	1b,d 2,406.3	204.5	519.6	34.1	3,164.5
(Deficit)/surplus before interest and taxation	1e,f,h (28.2)	9.7	23.2	(13.8)	(9.1)
Net assets	1,128.4	124.2	92.0	60.5	1,405.1
2000					
Total income	2,670.6	192.1	513.8	330.8	3,707.3
Intra Group income	(360.5)	-	-	(293.6)	(654.1)
Share of joint ventures	-	-	(50.0)	-	(50.0)
Group external income	1b,d 2,310.1	192.1	463.8	37.2	3,003.2
(Deficit)/surplus before interest and taxation	1e,f,h (18.7)	(2.8)	8.6	(7.6)	(20.5)
Net assets	1,112.5	114.0	73.5	95.6	1,395.6

Other commercial businesses include BBC Resources Limited and BBC Technology Holdings Limited. On 31 March 2001, BBC Resources Limited transferred £12.6 million of net assets to BBC Technology Holdings Limited, which commenced trading on that date.

1b Analysis of public services' income

Note	Home Services £m	BBC World Service £m	Total public services £m
2001			
Licence fee	1c 2,370.8	-	2,370.8
Grant-in-Aid	-	181.8	181.8
Open University	9.1	-	9.1
Subscriptions	-	15.3	15.3
Other income	26.4	7.4	33.8
Group external income	2,406.3	204.5	2,610.8
2000			
Licence fee	1c 2,285.5	-	2,285.5
Grant-in-Aid	-	170.0	170.0
Open University	11.3	-	11.3
Subscriptions	-	15.1	15.1
Other income	13.3	7.0	20.3
Group external income	2,310.1	192.1	2,502.2

The broadcasting arm of BBC World Service is funded through Grant-in-Aid received from the Foreign and Commonwealth Office. The international media monitoring activities of BBC World Service are funded through subscriptions from Government departments. Other income includes the sale of concert tickets and the provision of services to foreign broadcasters.

1c Licence fee

The licence fee is the main source of funding for the Home Services.

	2001 £m	2000 £m
Licence fee income		
Colour	2,052.3	2,263.7
Monochrome	4.2	7.1
Concessionary	2.3	3.3
Over 75s	307.7	-
Quarterly payment scheme premium	16.5	16.6
Other licence fee income and adjustments	(12.2)	(5.2)
	2,370.8	2,285.5

	2001 Number m	2000 Number m
Licences in force		
Colour	19.7	22.4
Monochrome	0.1	0.2
Over 75s	3.1	-
Concessionary	0.5	0.7
	23.4	23.3

Licences in force are those which are still valid as at 31 March.

	2001 £	2000 £
Licence fees		
Colour	104.00	101.00
Monochrome	34.50	33.50
Concessionary	5.00	5.00

From 1 April 2000 a discount for people who are registered blind is available at 50% of the full licence fee value. From 1 November 2000 households which have one or more persons over the age of 75 living at the address as their primary place of residence are entitled to a free over 75 licence, for which the BBC is reimbursed by the Department of Social Security. From 1 April 2001 the colour and monochrome licence fees were increased to £109 and £36.50 respectively. The concessionary licence fee remained at £5.

Other licence fee income and adjustments include the year-on-year impact of licences issued in the year but not in force at 31 March either through late or early renewals or through refunds.

During the year 3.3 million (2000 3.3 million) colour licences were issued under the quarterly payment scheme at a premium of £5 each (2000 £5).

1d Commercial businesses' income by activity

	Worldwide £m	Other £m	Total commercial businesses £m
2001			
Publishing and new media	302.3	-	302.3
Programme distribution	150.0	-	150.0
Channels	67.3	-	67.3
Provision of facilities	-	324.7	324.7
Less intra Group income	-	(290.6)	(290.6)
Group external income	519.6	34.1	553.7
Share of joint ventures	67.6	-	67.6
	587.2	34.1	621.3

1d Commercial businesses' income by activity *continued*

	Worldwide £m	Other £m	Total commercial businesses £m
2000			
Publishing and new media	277.0	–	277.0
Programme distribution	138.4	–	138.4
Channels	48.4	–	48.4
Provision of facilities	–	330.8	330.8
Less intra Group income	–	(293.6)	(293.6)
Group external income	463.8	37.2	501.0
Share of joint ventures	50.0	–	50.0
	513.8	37.2	551.0

Other commercial businesses include:

- BBC Resources Limited which has one principal activity, the provision of equipment, facilities and services.
- BBC Technology Holdings Limited which also has one principal activity, the provision of technology services.

1e Analysis of public services' surplus/(deficit) before interest and taxation by activity

The Home Services has one principal activity which is the provision of public service broadcasting in the UK.

BBC World Service's surplus/(deficit) before interest and taxation is analysed as follows:

	2001 £m	2000 £m
Broadcasting	8.6	(3.9)
Monitoring	1.1	1.1
Total surplus/(deficit) before interest and taxation	9.7	(2.8)

1f Analysis of commercial businesses' surplus/(deficit) before interest and taxation by activity

BBC Worldwide Limited's surplus/(deficit) before interest and taxation is analysed as follows:

	Publishing and new media £m	Programme distribu- tion £m	Channels £m	Total £m
2001				
Operating surplus/(deficit)	0.2	16.4	(11.6)	5.0
Profit on disposal of a business and shares in subsidiary	18.2	–	–	18.2
Surplus/(deficit) before interest and taxation	18.4	16.4	(11.6)	23.2
2000				
Operating result and surplus/(deficit) before interest and taxation	16.0	12.2	(19.6)	8.6

1f Analysis of commercial businesses' surplus/(deficit) before interest and taxation by activity *continued*

BBC Worldwide Limited's operating surplus before interest and taxation includes operating losses of £11.3 million (2000 nil) attributable to a new subsidiary, beeb Ventures Limited. These operating losses are offset by a gain of £17.1 million on the partial disposal of beeb Ventures Limited (note 5).

1g Geographical analysis of activity of public services

The public services income and surplus arises in the UK. The net assets used by the public services are located in the UK with the exception of net assets of £77.6 million (2000 £68.1 million) of BBC World Service where transmission assets are located overseas.

1h Geographical analysis of activity of commercial businesses

BBC Worldwide's income originates within the UK. Income by destination, surplus before interest and tax and net assets are analysed geographically as follows:

	United Kingdom £m	Americas £m	Rest of the world £m	Total £m
2001				
Income by destination	301.4	84.3	133.9	519.6
Surplus before interest and taxation	16.3	4.1	2.8	23.2
Net assets	54.0	38.0	–	92.0
2000				
Income by destination	282.0	63.0	118.8	463.8
Surplus/(deficit) before interest and taxation	10.7	8.4	(10.5)	8.6
Net assets	41.9	31.6	–	73.5

Other commercial businesses' income originates within the UK. The net assets used by them are located in the UK. Income by destination and deficit before interest and taxation are analysed geographically as follows:

	United Kingdom £m	Americas £m	Rest of the world £m	Total £m
Income by destination	28.9	1.4	3.8	34.1
Surplus/(deficit) before interest and taxation	(14.7)	0.7	0.2	(13.8)

Materially, all turnover and loss before taxation in the preceding year originated from within the UK and had a UK destination. All net assets in the preceding year were located in the UK.

2 Operating expenditure

2a Analysis of operating expenditure by activity

	Note	Total 2001 £m	Total 2000 £m
Public services:			
– BBC Home Services	2b	2,434.5	2,328.8
– BBC World Service	2b	194.8	194.9
Commercial businesses:			
– BBC Worldwide Limited	2c	515.5	455.4
– BBC Resources Limited	2c	45.6	44.8
– BBC Technology Holdings Limited	2c	2.3	–
		3,192.7	3,023.9

BBC Technology Holdings Limited incurred set-up costs prior to commencing trading on 31 March 2001.

2b Public services expenditure

	Home Services		World Service	
	2001 £m	Restated 2000 £m	2001 £m	Restated 2000 £m
Analogue services				
BBC One	922.0	832.8	–	–
BBC Two	402.2	414.0	–	–
National and Regional television	201.9	205.9	–	–
National, Regional and Local Radio	163.0	156.6	–	–
Radio 1	41.6	41.2	–	–
Radio 2	39.7	42.6	–	–
Radio 3	53.9	62.9	–	–
Radio 4	85.3	85.4	–	–
Radio Five Live	69.6	67.2	–	–
World Service radio	–	–	138.2	141.5
	1,979.2	1,908.6	138.2	141.5
Digital services				
BBC One and Two Digital	10.2	20.4	–	–
BBC Choice*	46.0	45.0	–	–
BBC News 24	48.1	47.7	–	–
BBC Parliament	3.3	3.0	–	–
BBC Knowledge	18.8	18.5	–	–
Digital text and Interactive	13.2	4.7	–	–
Digital radio	4.5	8.1	–	–
BBC Online	51.9	38.1	5.1	2.6
	196.0	185.5	5.1	2.6
Licence fee collection costs	131.9	113.9	–	–
Transmission costs	118.3	109.5	30.2	30.2
Monitoring	–	–	21.3	20.6
	2,425.4	2,317.5	194.8	194.9
Open University Production Centre	9.1	11.3	–	–
Total	2,434.5	2,328.8	194.8	194.9

*Includes a block of children's programmes shown between 6am and 6pm each day.

Comparative figures for 1999/2000 have been restated to include their share of Corporate Centre and Restructuring costs.

2c Commercial businesses' expenditure

Note	Worldwide		Other	
	2001 £m	2000 £m	2001 £m	2000 £m
Cost of sales	270.6	218.0	27.9	30.1
Distribution costs	137.2	137.5	–	–
Administrative and other costs	32.9	32.2	20.0	14.7
Amortisation of programme investment	74.8	67.7	–	–
	515.5	455.4	47.9	44.8

The expenditure shown for other commercial businesses relates only to commercial income and excludes expenditure relating to sales within the BBC.

Administrative and other costs include a restructuring charge of £13.7 million (2000 £8.9 million) for BBC Resources Limited.

3 Operating deficit

The operating deficit is stated after charging the following items:

	2001 £m	2000 £m
Payments under operating leases:		
– land and buildings	29.9	28.4
– plant and machinery	8.7	5.2
– other	22.8	25.5
Research and development	17.6	16.5
Programme development	21.4	17.8
Depreciation	114.8	120.2
Loss on disposal of tangible fixed assets	6.5	18.8
Amortisation of investment in programmes for future sale	74.8	67.7
Auditors' remuneration:		
– financial audit	0.8	0.8
– consultancy and advisory	0.5	2.5
Fair trading auditors' remuneration	0.3	–

£0.4 million of the audit fee relates to the Home Services (2000 £0.4 million).

4 Employees and remuneration

4a Persons employed

The average number of persons (full-time equivalent) including the Executive Committee members employed in the year was:

	Average for the year	
	2001 Number	2000 Number
Home Services	16,808	16,401
BBC World Service	1,696	1,652
BBC Worldwide Limited	1,958	1,773
BBC Resources Limited	3,667	3,814
Group total	24,129	23,640

4a Persons employed *continued*

Within the averages above, 2,015 (2000 1,766) part-time employees have been included at their full-time equivalent of 1,176 (2000 1,051).

In addition to the above, the Group employed an average full-time equivalent of 1,113 (2000 999) persons on a casual basis and the BBC Orchestra and Singers numbered 374 (2000 381) full-time equivalent persons employed on programme contracts.

On 31 March 2001, a total of 943 (930 full-time equivalent) employees transferred to BBC Technology Holdings Limited from the Home Services (387 full-time equivalent) and from BBC Resources Limited (543 full-time equivalent). These transfers are not reflected in the average figures above.

4b Staff costs

	2001 £m	Restated 2000 £m
Salaries and wages	823.4	785.3
Social security costs	73.2	69.8
Other pension costs – principal scheme	52.9	50.5
– other schemes	2.8	1.3
External staff costs	40.4	43.0
Redundancy costs	34.6	36.2
	1,027.3	986.1
Comprising:		
Home Services	737.4	704.3
BBC World Service	63.0	60.4
BBC Worldwide Limited	84.8	73.4
BBC Resources Limited	142.1	148.0
	1,027.3	986.1

The above numbers for 2000 have been restated to include external staff costs for agency and freelance staff whose costs are not paid through the BBC payroll.

4c Pensions

The Group operates several pension schemes. The BBC Pension Scheme and a small unfunded pension scheme, which is closed to new members, are contributory defined benefit schemes. The Group Personal Pension Scheme provides staff with a defined contribution scheme. The total pension charge for the year under all schemes is £55.7 million (2000 £51.8 million).

Principal scheme

The BBC Pension Scheme is the main pension scheme of the BBC Group and covers the majority of employees. This 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 1999 by Watson Wyatt, consulting actuaries, using the projected unit method.

4c Pensions *continued*

The pension charge for the year derives from this full actuarial valuation following Statement of Standard Accounting Practice 24 (SSAP 24).

At 1 April 1999, the market value of the assets of the scheme was £6,294 million and the actuarial value of the assets was sufficient to cover 114% of the benefits due to members, after allowing for expected future increases in earnings.

The scheme surplus is being amortised over 12 years: the expected average remaining service life of the employees.

The pension charge for the year for this scheme is £52.9 million (2000 £50.5 million), which derives from an effective accounting contribution rate of 10.4% of pensionable salaries.

Both the BBC and employees continue to contribute at a cash rate of 4.5% of pensionable earnings. The scheme continues to benefit from full tax relief under the Inland Revenue guidelines.

In the Group accounts an amount of £43.8 million is included in provisions which represents the excess of the cumulative pension cost over the cumulative contributions paid to the scheme (2000 £12.8 million net).

A new accounting standard, FRS 17 *Retirement Benefits*, is being introduced which changes the method by which pension information is calculated and presented in the financial statements. Below, we provide additional information on the BBC Pension Scheme under the first year transitional rules of FRS 17. This information has been prepared from a valuation using the methodology prescribed by FRS 17 as at 31 March 2001. Under FRS 17 the scheme is assessed using market value rather than the actuarial value used under SSAP 24. The main assumptions used in the valuation were the same as those used in the SSAP 24 valuation and are noted below:

Rate of increase in earnings – 4.5%.

Rate of increase in pension payments – 2.5%.

Inflation assumption – 2.5%.

The discount rate used in the FRS 17 valuation is different from that used for SSAP 24 as the former is based on corporate bonds at 31 March 2001 – a discount rate of 6%. The discount rate used in the SSAP 24 valuation is 6.25% and varies according to the actual assets held which for the BBC Pension Scheme are primarily equities.

Using the FRS 17 basis, the surplus in the scheme was £1,708 million at 31 March 2001 and the assets and liabilities in the scheme at 31 March 2001 were as follows:

	2001 £m
Equity	4,752
Bonds	841
Property	936
Total market value of assets	6,529
Present value of scheme liabilities	(4,821)
Surplus in the scheme	1,708
Related deferred tax asset	–
Net pension asset	1,708

4c Pensions *continued*

A deferred tax asset will not arise for the Group mainly due to the fact that most of the Group's public service activity is not subject to taxation.

In future years, when FRS 17 is fully implemented in the Group, the Home Services will take advantage of the provisions included within FRS 17 and account 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 reliable basis. The expenditure charge under FRS 17 for the Home Services will therefore represent the contributions payable in the year. These contributions will benefit from the surplus in the scheme and accordingly will be lower than the regular cost.

Other schemes

The small unfunded pension scheme is valued using assumptions which are the same as those for the main scheme under SSAP 24 described above. At 31 March 2001 the obligation was £3.5 million, which had been fully provided for in the BBC accounts (2000 £2.7 million). The pension charge for the year for this scheme was £0.8 million (2000 £0.7 million).

Using the updated assumptions required for FRS 17 for this scheme (as for the main scheme), the obligation for the unfunded pension scheme would be £3.7 million.

The charge for the Group Personal Pension Scheme and other schemes totalled £2.0 million in the year (2000 £0.6 million). At 31 March 2001, £0.6 million has been included within provisions (2000 nil).

4d Remuneration of the Board of Governors and Executive Committee

The emoluments of the Governors and of the Executive Committee members are disclosed on pages 50 to 52 in the remuneration report.

5 Profit on disposal of a business and shares in subsidiary

	2001 £m	2000 £m
beeb Ventures Limited	17.1	–
BBC for Business	1.1	–
	18.2	–

During 2001, the Group made a partial disposal of shares in beeb Ventures Limited, the subsidiary owning its internet retail site *beeb.com* and internet service provider *beeb.net*. The transaction gave rise to income totalling £20.2 million in the year, against which costs of £3.1 million were incurred.

5 Profit on disposal of a business and shares in subsidiary *continued*

The Group is expected to divest 13.5% of beeb Ventures Limited on completion of a further partial disposal in the year ending 31 March 2002, the proceeds of which will be used to finance the business. Profits on these partial disposals of beeb Ventures Limited are part of a linked arrangement with a third party, under which profits on a partial disposal are structured to offset start-up operating losses of this company.

The Group also disposed of its education business, BBC for Business, for £2.0 million. This disposal gave rise to asset disposals of £0.5 million and other expenses of £0.4 million. The Group will retain a minority stake in the business and receive an ongoing royalty. Prior to disposal, BBC for Business contributed turnover of £1.0 million and operating surplus of £0.3 million to the results for the year ended 31 March 2001. There is no impact on the tax charge for the year.

6 Net interest receivable

	2001 £m	2000 £m
Interest receivable	27.9	23.6
Interest payable on bank and other loans	(2.1)	(0.2)
Net interest receivable	25.8	23.4

7 Taxation**7a Analysis of charges for the period**

The charge for the year, based on a rate of corporation tax of 30% (2000 30%), comprised:

	Note	2001 £m	2000 £m
Current tax:			
UK corporation tax		9.2	11.7
Adjustments in respect of previous years		(5.9)	(0.5)
		3.3	11.2
Foreign tax		6.3	4.6
Share of associated undertakings' tax		0.3	–
Total current tax	7b	9.9	15.8
Deferred tax			
Origination and reversal of timing differences		1.8	(0.5)
Adjustments in respect of previous years		(2.1)	(0.5)
Total deferred tax	7d	(0.3)	(1.0)
Charge for the year		9.6	14.8

7b Factors affecting the tax charge

The Group is only liable to taxation on those activities carried out with a view to making a profit and on rent, royalties and interest receivable and therefore the BBC does not receive relief for all its expenditure.

The tax assessed for the year therefore differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Note	2001 £m	2000 £m
Surplus before tax		16.7	2.9
Surplus before tax multiplied by standard rate of corporation tax in the UK of 30% (2000 30%)		5.0	0.9
Effects of:			
Non-taxable income		(4.5)	(0.5)
Taxable external income		7.5	10.0
Disallowed expenditure		1.6	2.6
Non-taxable profit on sale of shares		(1.5)	–
Tax losses not Group relieved		3.4	–
Tax differential re overseas earnings		2.1	(0.2)
Adjustments to tax charge in respect of prior periods		(5.9)	(0.5)
Depreciation in excess of capital allowances		1.5	2.8
Other		0.4	0.7
Minority interest		0.3	–
Current tax charge for the year	7a	9.9	15.8

7c Factors that may affect future tax charges

The Group anticipates that the future tax charge will not alter materially since all licence fee income is free of tax.

7d Deferred tax analysis

In accordance with FRS 19, *Deferred tax*, the Group provides for all deferred tax liabilities in full. The deferred tax provision is analysed as follows:

	Note	2001 £m	2000 £m
Accelerated capital allowances		(0.2)	1.8
Pension accruals		1.0	0.6
US timing differences		(0.8)	(1.9)
		–	0.5
Provision at start of year		0.5	1.5
Exchange adjustment		(0.2)	–
Deferred tax credit	7a	(0.3)	(1.0)
Provision at end of year		–	0.5

8 Intangible fixed assets

	Goodwill £m
Cost	
At 1 April 2000	–
Additions	0.5
At 31 March 2001	0.5
Amortisation	
At 1 April 2000 and at 31 March 2001	–
Net book value	
At 31 March 2001	0.5
At 31 March 2000	–

Goodwill has arisen on the acquisition of Cover to Cover Cassettes Limited of £0.3 million and the business of *Gardens Illustrated* magazine of £0.2 million. Goodwill will be amortised over 20 years reflecting the useful economic life, subject to reviews for impairment.

9 Acquisitions

On 1 December 2000, the Group acquired 100% of the share capital of Cover to Cover Cassettes Limited for £1.2 million.

	Book and fair value £m
Current assets	0.9
Goodwill	0.3
Fair value of net assets acquired	1.2
Satisfied by:	
Cash consideration	0.6
Deferred consideration	0.6
Total consideration	1.2
The net outflow of cash in respect of the purchase of a subsidiary is as follows:	
Cash consideration	0.6
Cash balances of subsidiary under taking purchased	(0.2)
	0.4

Cover to Cover Cassettes Limited contributed £0.4 million to the surplus for the year relating to the period since acquisition.

Cover to Cover Cassettes Limited made a surplus of £0.6 million from the beginning of the financial year to the date of acquisition. In its previous financial year the profit was £0.1 million.

There is no difference between the book value and the fair value of the assets acquired.

The business and rights to the name *Gardens Illustrated* magazine were acquired on 23 August 2000 for cash consideration of £0.2 million. No other assets were purchased.

10 Tangible fixed assets

10a The Group

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2000	533.0	775.2	102.9	49.7	1,460.8
Exchange adjustments	0.1	–	0.1	–	0.2
Additions	3.6	28.6	11.9	83.5	127.6
Brought into service	1.1	30.9	5.8	(37.8)	–
Disposals	(4.7)	(44.2)	(0.8)	(4.3)	(54.0)
At 31 March 2001	533.1	790.5	119.9	91.1	1,534.6
Depreciation					
At 1 April 2000	182.1	417.4	48.4	–	647.9
Exchange adjustments	–	–	0.1	–	0.1
Charge for the year	12.7	90.8	11.3	–	114.8
Elimination in respect of disposals	(2.0)	(42.3)	(0.9)	–	(45.2)
At 31 March 2001	192.8	465.9	58.9	–	717.6
Net book value					
At 31 March 2001	340.3	324.6	61.0	91.1	817.0
At 31 March 2000	350.9	357.8	54.5	49.7	812.9

Home Services' plant and machinery was revalued at 31 March 1993, prior to the introduction of the internal market. The valuation was based on the estimated current replacement cost of the assets, adjusted for service potential.

BBC World Services' plant and machinery and furniture and fittings were revalued at 1 April 1996 on the same basis.

Following the introduction of FRS 15, *Tangible Fixed Assets*, the assets were retained at their valuation as adjusted for depreciation. The Group does not plan to revalue assets on an ongoing basis.

Historical cost basis

The net book value of tangible fixed assets included in the above table determined on an historical cost basis is as follows:

	Plant and machinery 2001 £m	Plant and machinery 2000 £m	Furniture and fittings 2001 £m	Furniture and fittings 2000 £m
Cost	825.9	810.9	122.6	105.5
Depreciation	(508.5)	(461.1)	(61.6)	(51.0)
Net book value	317.4	349.8	61.0	54.5

Included within fixed assets is £24.0 million at cost relating to a relay station in Thailand used by BBC World Service. These assets are transferable to the Royal Thai government in return for the payment of a nominal sum. BBC World Service will retain the rights to repurchase the assets, should the operation cease, for a similar nominal sum. The use of these assets is not affected by this transaction and therefore they will continue to be carried at cost less attributable depreciation in the balance sheet.

10b Home Services

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2000	472.5	374.8	74.9	27.4	949.6
Additions	3.6	19.3	10.4	41.9	75.2
Brought into service	0.9	10.4	5.0	(16.3)	–
Transfer from subsidiary	–	9.4	–	–	9.4
Transfers to subsidiaries	(87.8)	(80.6)	(20.3)	(5.6)	(194.3)
Disposals	(2.4)	(19.5)	(1.2)	(2.9)	(26.0)
At 31 March 2001	386.8	313.8	68.8	44.5	813.9
Depreciation					
At 1 April 2000	153.9	190.5	28.8	–	373.2
Charge for the year	9.2	47.2	8.1	–	64.5
Transfer from subsidiary	–	2.9	–	–	2.9
Transfers to subsidiaries	(6.4)	(47.7)	(17.9)	–	(72.0)
Elimination in respect of disposals	(1.3)	(18.9)	(0.9)	–	(21.1)
At 31 March 2001	155.4	174.0	18.1	–	347.5
Net book value					
At 31 March 2001	231.4	139.8	50.7	44.5	466.4
At 31 March 2000	318.6	184.3	46.1	27.4	576.4

Historical cost basis

The net book value of tangible fixed assets included in the above table determined on an historical cost basis is as follows:

	2001 £m	2000 £m
Plant and machinery		
Cost	294.6	355.6
Depreciation	(154.8)	(171.3)
Net book value	139.8	184.3

10c Land and buildings at net book value comprise:

	Group 2001 £m	Group 2000 £m	Home Services 2001 £m	Home Services 2000 £m
Freeholds	307.9	314.1	211.8	298.1
Long leaseholds	2.9	2.9	2.9	2.9
Short leaseholds	29.5	33.9	16.7	17.6
	340.3	350.9	231.4	318.6

There has been no impairment in the carrying values of freehold properties at the balance sheet date.

Land and buildings in the Group include freehold land at a cost of £64.7 million (2000 £64.7 million) and in the Home Services £30.4 million (2000 £60.5 million), none of which is depreciated.

11 Investment in programmes for future sale

	<i>Group £m</i>
Cost	
At 1 April 2000	242.2
Exchange adjustment	12.4
Additions †	76.8
Financing benefit	(0.5)
Elimination of programmes fully amortised	(41.7)
At 31 March 2001	289.2
Amortisation	
At 1 April 2000	129.5
Exchange adjustment	9.4
Charge for the year	74.8
Elimination of programmes fully amortised	(41.7)
At 31 March 2001	172.0
Net book value	
At 31 March 2001	117.2
At 31 March 2000	112.7

† The additions include £76.2 million direct investment in BBC programmes.

Included in the net book value is £3.7 million relating to investments held under a licence agreement (2000 £3.6 million).

The financing benefit relates to monies received for tax credits on investments in sale and leaseback programmes.

12 Other investments

(including BBC World Service net assets)

12a Movements in year for Home Services

	<i>Note</i>	Home Services 2001 £m	<i>Home Services 2000 £m</i>
Interest in BBC World Service net assets			
At 1 April		114.0	116.4
Accumulated surplus/(deficit)		10.2	(2.4)
At 31 March		124.2	114.0
Shares in subsidiaries	12b		
At 1 April		110.3	110.3
Additions		1.0	–
Disposals		(19.0)	–
At 31 March		92.3	110.3
Other investments			
At 1 April		0.4	0.4
Additions		122.3	–
At 31 March		122.7	0.4
Total other investments		339.2	224.7

12a Movements in year for Home Services *continued*

Disposals represent a share buy-back by BBC Resources Limited of £19.0 million.

Additions to other investments in the year of £122.3 million represent the loans due from subsidiary undertakings following the transfer of fixed assets from the Home Services.

12b Subsidiaries

The Home Services own 100% of the issued ordinary share capital of the following companies which are incorporated in Great Britain:

Cost	2001 £m	<i>2000 £m</i>
BBC Worldwide Limited	0.3	0.3
BBC Subscription Television Limited (dormant)	–	–
BBC Investments Limited (dormant)	–	–
BBC News Limited	–	–
BBC Property Limited	1.0	–
BBC Resources Limited	91.0	110.0
BBC Technology Holdings Limited	–	–
Centre House Productions Limited	–	–
BBC Digital Programming Services Limited	–	–
	92.3	110.3

The activities of the principal subsidiaries of the Home Services are set out in the glossary (see page 58). Centre House Productions Limited is a leasing company whose purpose is the financing of certain high-value drama productions. These transactions reduce the overall net cost of producing the programmes to the BBC. BBC Digital Programming Services Limited holds the ITC digital programme service licence for BBC Knowledge. BBC News Limited was incorporated in the year and will provide BBC news content to mobile phones.

Others

The Group also holds the controlling interest in the following companies which, except where otherwise stated, are incorporated in Great Britain:

	<i>Holding of issued ordinary shares %</i>
Held by BBC World Service:	
BBC East Asia Relay Company Limited (incorporated in Hong Kong)	100
BBC Radiocom (Bulgaria) OLLC (incorporated in Bulgaria)	100
BBC Radiocom (Hungary) Limited (incorporated in Hungary)	100
BBC Radiocom (Romania) SRL (incorporated in Romania)	100
BBC Radiocom (Slovakia) Limited (incorporated in the Slovak Republic)	100
BBC Radiocom (Praha) Sro (incorporated in the Czech Republic)	100
BBC Polska SP Zoo (incorporated in Poland)	100
BBC do Brazil Limitada (incorporated in Brazil)	100
BBC Radiocom Deutschland GmbH (incorporated in Germany)	100
BBC World Service Trust	*
Held by BBC Technology Holdings Limited:	
BBC Technology Limited	100
BBC Technology Services Limited	100
BBC Technology Supply Limited	100

12b Subsidiary undertakings *continued*

	<i>Holding of issued ordinary shares %</i>
Held by BBC Worldwide Limited:	
Publishing	
BBC Magazines Inc. (incorporated in USA)	100
Galleon Limited	100
Broadcasting Dataservices Limited	75
Cover to Cover Cassettes Limited	100
Programme distribution	
BBC Worldwide Americas Inc. (incorporated in USA)	100
BBC Worldwide Music Limited	100
UK Programme Distribution Limited	95
BBC Worldwide (Japan) Limited (incorporated in Japan)	100
BBC Worldwide (France) SARL (incorporated in France)	100
BBC Worldwide (Germany) GmbH (incorporated in Germany)	100
BBC Worldwide (India) Private Limited (incorporated in India)	100
BBC Worldwide (Singapore) Private Limited (incorporated in Singapore)	100
Channels	
New Video Channel America LLC (incorporated in USA)	100
European Channel Broadcasting Limited	100
European Channel Management Limited	100
Investment companies	
Worldwide Americas Investments Inc. (incorporated in USA)	100
BBC Worldwide Investments Limited	100
BBC World Service Television Limited	100
BBC Worldwide Channel Investments Limited	100
Worldwide Channel Investments (Europe) Limited	100
Worldwide Channel Investments (Australia) Limited (incorporated in Australia)	100
Worldwide Channel Investments (Ontario) Limited (incorporated in Canada)	100
Online	
beeb Ventures Limited	91.2

* The BBC World Service Trust is a charitable company limited by guarantee, of which the BBC is the sole member.

12c Movements in the year for the Group

	<i>Group 2001 £m</i>	<i>Group 2000 £m</i>
<i>Note</i>		
Interests in joint ventures		
At 1 April	–	–
Share of retained losses	(3.6)	(9.7)
Adjustment to reflect effective obligations	4.0	9.7
At 31 March	0.4	–
Interests in associates		
At 1 April	0.3	0.2
Additions	0.4	0.2
Share of retained profits and losses	0.3	(0.1)
At 31 March	1.0	0.3
Other investments		
At 1 April and at 31 March	0.4	0.4
Total other investments	1.8	0.7

12d Interests in joint ventures

The Group, through its subsidiary BBC Worldwide Limited, has major partnership deals with Flextech for the production and marketing of subscription channels in the UK, and with Discovery Communications Inc. (Discovery) for incorporating new channels around the world and providing new co-production funding for programmes. These alliances operate joint ventures, listed below:

<i>Name of entity</i>	<i>Nature of entity</i>	<i>Partner</i>	<i>Date entered</i>
UK Channel Management Limited	Joint venture	Flextech	April 1997
UK Gold Holdings Limited	Joint venture	Flextech	April 1997
JV Programmes LLC	Joint venture	Discovery	March 1998

In addition to the arrangements with Flextech and Discovery, BBC Haymarket Exhibitions Limited (Haymarket) is included in the joint venture total and is accounted for separately from the Flextech and Discovery joint ventures.

The following disclosures are based on results for the year ended 31 December 2000 for the Flextech and Discovery joint ventures and 31 March 2001 for Haymarket. The amounts disclosed represent the Group's equity shares of the assets and liabilities of the entities.

	<i>UK Gold Holdings Limited* £m</i>	<i>UK Channel Managem't Limited* £m</i>	<i>Other joint ventures £m</i>	<i>Total joint ventures £m</i>
BBC Worldwide share of:				
2001				
Turnover	31.7	20.6	15.3	67.6
Profit/(loss) before tax	7.2	(8.8)	0.6	(1.0)
Taxation	(2.4)	–	(0.2)	(2.6)
Profit/(loss) after tax	4.8	(8.8)	0.4	(3.6)
Fixed assets	–	0.1	–	0.1
Current assets	27.7	13.2	15.7	56.6
Liabilities less than one year	(9.5)	(7.7)	(5.2)	(22.4)
Liabilities more than one year	(71.5)	(40.1)	(10.5)	(122.1)
Adjustment to reflect effective obligations	53.3	34.5	0.4	88.2
Net book value	–	–	0.4	0.4
2000				
Turnover	26.2	10.6	13.2	50.0
Profit/(loss) before tax	4.0	(13.7)	0.1	(9.6)
Taxation	(0.1)	–	–	(0.1)
Profit/(loss) after tax	3.9	(13.7)	0.1	(9.7)
Fixed assets	–	–	0.1	0.1
Current assets	26.8	8.2	11.8	46.8
Liabilities less than one year	(16.5)	(5.7)	(4.8)	(27.0)
Liabilities more than one year	(67.8)	(28.3)	(7.4)	(103.5)
Adjustment to reflect effective obligations	57.5	25.8	0.3	83.6
Net book value	–	–	–	–

* The figures for 2001 are based on unaudited financial statements (2000 audited).

The Group share of turnover for Haymarket was £6.4 million (2000 £7.0 million) and operating surplus was £0.6 million (2000 £0.1 million).

12d Interests in joint ventures *continued*

Under the terms of the agreements with Flextech and Discovery, 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 2001 (2000 nil). The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation.

12e Interests in associates

The Group holds the following significant interests in companies which, except where otherwise stated, are incorporated in Great Britain:

	<i>Holding of issued ordinary shares %</i>
Held by the Home Services:	
Parliamentary Broadcasting Unit Limited	33
Broadcasters Audience Research Board Limited	*
RAJAR (Radio Joint Audience Research) Limited	25
Held by BBC World Service:	
Caribbean Relay Company Limited (incorporated in Antigua)	45
Multimedia Ventures Limited	50
Ascension Island Commercial Services Limited	33
Held by BBC Worldwide Limited:	
Publishing	
Frontline Limited	23
Programme distribution	
The Sales Consortium Limited	25
Tele Alliance Limited	25
Channels	
UK TV Pty Limited (incorporated in Australia)	20
Animal Planet (Latin America) LLC (incorporated in USA)†	50
People and Arts (Latin America) LLC (incorporated in USA)†	50
Animal Planet LLC (incorporated in USA)†	20
JV Network LLC (incorporated in USA)†	50
Animal Planet (Asia) LLC (incorporated in USA)†	50
Animal Planet (Europe) Partnership†	50
Animal Planet Japan KK (incorporated in Japan)†	33
Animal Planet Japan LLP (incorporated in Delaware, USA)†	50
Jasper Broadcasting Limited (incorporated in Canada)	20
Held by BBC Resources Limited:	
3sixtymedia Limited	20

* Broadcasters Audience Research Board Limited is a company limited by guarantee, of which the BBC is a joint member with other broadcasters.

† Discovery associates.

12e Interests in associates *continued*

The following additional disclosures are based on the results of the Discovery associates for the year ended 31 December 2000 and the remaining associates' disclosures are based on the results at the date of their individual financial statements. These additional disclosures represent the Group's equity share of assets and liabilities of those entities.

Group interests in associates	2001 £m	2000 £m
Share of turnover	32.5	19.8
Share of fixed assets	45.6	40.4
Share of current assets	28.6	24.4
Share of liabilities due within one year	(19.5)	(14.4)
Share of liabilities due after more than one year	(85.7)	(57.1)
Adjustment to reflect effective obligation	32.0	7.0
Net interests in associates	1.0	0.3

Under the terms of the agreements with Discovery, 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 2001 (2000 £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 Limited is not entitled to any profits arising within this entity.

13 Stocks

	Group 2001 £m	Group 2000 £m	Home Services 2001 £m	Home Services 2000 £m
Raw materials	3.0	3.7	–	–
Work in progress:				
– originated programmes	244.1	203.5	244.0	203.4
– other	5.6	1.8	–	–
Finished programmes:				
– acquired programmes and films	92.5	87.4	92.5	87.4
– originated programmes	49.1	38.8	49.1	38.8
Other	11.8	10.7	0.9	0.9
Total	406.1	345.9	386.5	330.5

14 Debtors

	Group 2001 £m	Group 2000 £m	Home Services 2001 £m	Home Services 2000 £m
Receivable within one year				
Trade debtors	163.7	141.2	22.3	27.7
Department of Culture, Media and Sport – licence fee debtors	272.9	235.7	272.9	235.7
Amounts owed by subsidiaries	–	–	98.5	10.5
Amounts owed by associates and joint ventures	5.8	5.1	–	–
VAT recoverable	28.1	24.5	26.3	21.9
Other debtors	31.8	26.6	21.3	30.8
Corporation tax	3.6	–	1.2	–
Prepayments	142.3	109.7	102.2	99.9
Prepaid pension contributions	–	1.2	–	–
	648.2	544.0	544.7	426.5
Receivable after more than one year				
Amounts owed by subsidiaries	–	–	17.6	39.2
Prepayments	47.8	32.8	27.2	29.9
	47.8	32.8	44.8	69.1
Total	696.0	576.8	589.5	495.6

The amount owed by subsidiaries receivable after more than one year represents the drawn-down element of unsecured £30 million interest bearing facilities provided to BBC Resources Limited.

The loan to BBC Resources Limited is repayable on 30 March 2004. Interest on these facilities is charged at 0.8% over bank base rates and appropriate covenants exist to protect the Home Services from financial risk.

BBC Worldwide Limited has an unsecured £150 million facility with Home Services which is repayable on 30 March 2002 but will be renegotiated with a view to extending the loan for further periods as long as BBC Worldwide Limited remains within its covenants and substantially delivers the financial performance anticipated in its approved budgets. Interest on these facilities is charged at 0.6% over bank base rates and appropriate covenants exist to protect the Home Services from financial risk. At 31 March 2001, the drawn-down element of the facility was nil.

15 Creditors

15a Prompt payment policy

It is the BBC's policy to comply with the CBI prompt payment code in relation to the payment of suppliers, provided that the supplier is complying with the relevant terms and conditions of their contracts. The BBC monitors compliance against the terms of this code. The BBC Group's number of creditor days outstanding at 31 March 2001 was 52 days (2000 57 days).

15 Creditors *continued*

15b Amounts falling due within one year

	Group 2001 £m	Group 2000 £m	Home Services 2001 £m	Home Services 2000 £m
Bank overdrafts	7.0	8.9	–	–
Trade creditors				
Programme creditors	91.1	99.5	90.9	99.3
Programme acquisitions	39.7	43.2	39.7	43.2
Salaries and wages	18.5	22.2	17.6	21.5
Residual copyright payments	53.3	40.4	–	–
Licence fee collection creditors	5.4	1.7	5.4	1.7
Other trade creditors	161.1	183.5	90.4	114.3
	369.1	390.5	244.0	280.0
Other creditors				
Fixed asset creditors	15.6	28.8	13.8	15.3
Corporation tax	–	1.6	–	4.2
Other taxation and social security	33.9	27.7	23.8	20.7
Amounts owed to subsidiaries	–	–	34.2	33.2
Amounts owed to associates and joint ventures	2.0	1.6	0.1	–
Other	–	2.9	–	2.3
	51.5	62.6	71.9	75.7
Accruals and deferred income				
Accruals and deferred income	276.9	170.9	201.7	128.7
Licence saving stamps deposits and direct debit instalments	140.1	163.6	140.1	163.6
	417.0	334.5	341.8	292.3
Total	844.6	796.5	657.7	648.0

15c Amounts falling due after more than one year

	Group 2001 £m	Group 2000 £m	Home Services 2001 £m	Home Services 2000 £m
Bank and other loans	19.1	18.9	–	–
Trade creditors				
Programme acquisitions	21.0	9.4	21.0	9.4
Other trade creditors	0.7	1.4	0.7	1.4
	21.7	10.8	21.7	10.8
Other creditors				
Obligations under finance leases (note 15d)	10.5	4.4	–	–
	10.5	4.4	–	–
Total	51.3	34.1	21.7	10.8

Creditors falling due after more than one year are all repayable within five years with the exception of the finance lease obligations (note 15d).

15c Amounts falling due after more than one year *continued*

Bank and other loans include a US\$5 million loan from Discovery which is repayable in the following stages: \$3 million due 31 March 2004; \$2 million due 31 March 2005. The remainder of the loans consist of multi-currency revolving facilities repayable in full in four years. Interest is payable at LIBOR plus 1.0% for the US\$5 million loan and LIBOR plus 0.3% for the multi-currency facilities.

15d Obligations under finance leases

The maturity of obligations under finance leases is as follows:

	Group	
	2001 £m	2000 £m
Within one year	9.7	4.6
In the second to fifth years	43.9	21.0
Over five years	125.4	63.2
	179.0	88.8
Less future finance charges	(52.9)	(28.0)
	126.1	60.8
Less: defeasance deposits	(115.6)	(56.4)
	10.5	4.4

The finance leases have been entered into by the subsidiary Centre House Productions Limited. They are a means of financing drama productions which result in a reduction in the production costs to the BBC.

The finance leases are matched by defeasance deposits such that the principal on deposit and the interest earned will be sufficient to cover the rental obligations on the finance leases until the end of the lease. These deposits may only be used to settle the finance lease liabilities and therefore these do not represent separate assets and liabilities. Consequently, they have been netted off with the finance lease creditor to show the net unmatched liability at the year end.

16 Provisions for liabilities and charges

	At 1 April 2000 £m	Utilised during the year £m	Released during the year £m	Charge for the year £m	At 31 March 2001 £m
Group					
Restructuring	1.6	(1.6)	–	16.4	16.4
Litigation and insurance	12.8	(1.9)	(0.1)	3.5	14.3
Property	13.2	–	(6.6)	5.3	11.9
Pension	16.7	(0.1)	–	31.3	47.9
Other	10.0	(2.6)	(2.4)	13.4	18.4
Total	54.3	(6.2)	(9.1)	69.9	108.9

Property provisions include BBC World Service's liability of £3.6 million (2000 £5.6 million) to restore Bush House to its original condition, together with amounts relating to other dilapidations and relocations.

Other provisions comprise deferred tax (as noted in 7d) and a number of individually insignificant balances arising across the BBC in the normal course of business.

16 Provision for liabilities and charges *continued*

Further information on the pension provision is provided in note 4c.

	At 1 April 2000 £m	Utilised during the year £m	Released during the year £m	Charge for the year £m	At 31 March 2001 £m
Home Services					
Restructuring	0.5	(0.5)	–	15.8	15.8
Litigation and insurance	12.8	(1.9)	(0.1)	3.5	14.3
Property	7.6	–	(4.6)	5.3	8.3
Pension	10.3	(0.1)	–	24.3	34.5
Other	9.5	(2.6)	(1.9)	13.4	18.4
Total	40.7	(5.1)	(6.6)	62.3	91.3

17 Reserves

	Operating reserve £m	Capital reserve £m	Revaluation reserve £m	Total £m
Group				
At 1 April 2000	599.1	788.5	8.0	1,395.6
Exchange adjustments	2.4	–	–	2.4
Surplus for the financial year	7.6	–	–	7.6
Revaluation reserve transfer	0.8	–	(0.8)	–
Capital reserve transfer	(2.6)	2.6	–	–
At 31 March 2001	607.3	791.1	7.2	1,405.6
Represented by:				
General Group reserves	600.0	681.4	–	1,281.4
BBC World Service reserves	7.3	109.7	7.2	124.2
	607.3	791.1	7.2	1,405.6

The Home Services and BBC World Service are funded from different sources. As such, the reserves relating to BBC World Service are maintained separately from the rest of the Group and are restricted for use solely on BBC World Service activities.

Under the accounting standard FRS 10 *Goodwill and intangible assets*, any newly arising goodwill must be capitalised and amortised over its useful life. As is permitted by the standard, goodwill arising in periods prior to 1999 of £6.8 million remains offset against the operating reserve.

	Operating reserve £m	Capital reserve £m	Revaluation reserve £m	Total £m
Home Services				
At 1 April 2000	539.1	788.5	8.0	1,335.6
Surplus for the financial year	9.0	–	–	9.0
Revaluation reserve transfer	0.8	–	(0.8)	–
Capital reserve transfer	(2.6)	2.6	–	–
At 31 March 2001	546.3	791.1	7.2	1,344.6
Represented by:				
Home Services reserves	539.0	681.4	–	1,220.4
BBC World Service reserves	7.3	109.7	7.2	124.2
	546.3	791.1	7.2	1,344.6

18 Reconciliation of operating deficit to net cash inflow from operating activities

	2001 £m	2000 £m
Operating deficit	(27.3)	(20.5)
Depreciation and amortisation	189.6	187.9
Increase in interests in associates	(0.7)	(0.1)
Increase in interests in joint ventures	(0.4)	–
Loss on disposal of tangible fixed assets	6.5	18.8
(Increase)/decrease in stocks	(60.7)	10.2
(Increase)/decrease in debtors	(116.9)	3.0
Increase/(decrease) in creditors	84.3	(2.4)
Increase/(decrease) in provisions	54.6	(12.6)
Net cash inflow from operating activities	129.0	184.3

19 Analysis of changes in net funds

	At 1 April 2000 £m	Cash flows £m	Non-cash movements £m	At 31 March 2001 £m
Net cash				
Bank overdrafts	(8.9)	1.9	–	(7.0)
Cash at bank and in hand	156.4	(53.5)	–	102.9
	147.5	(51.6)	–	95.9
Liquid resources				
Deposits not repayable on demand	17.5	(2.5)	–	15.0
Short-term investments	257.6	(4.2)	–	253.4
Gross funds*	422.6	(58.3)	–	364.3
Loans from third parties	(18.9)	–	(0.2)	(19.1)
Finance leases	(4.4)	–	(6.1)	(10.5)
Net funds	399.3	(58.3)	(6.3)	334.7

Bank overdrafts represent temporary timing differences on cash at bank.

The Group cash at bank and in hand shown on the balance sheet comprises deposits not repayable on demand and cash at bank and in hand.

The finance lease repayments falling due are offset directly by income earned on matching deposits, such that there is no cash flow effect (see note 15d). The increase in finance lease liabilities represents the amount by which the interest accrued on the leases exceeds that earned on the deposits together with new defeasance deposits for new finance leases entered into during the year. Over the course of the lease the interest earned on deposit together with the principal is designed to meet the finance lease obligations.

*Analysis of gross funds

	2001 £m	2000 £m
BBC funds	224.2	259.0
TV Licence savings stamps deposits	140.1	163.6
Gross funds	364.3	422.6

20 Reconciliation of net cash flow to movement in net funds

	2001 £m	2000 £m
(Decrease)/increase in cash in the year	(51.6)	179.0
Net cash flow from management of liquid resources	(6.7)	(166.2)
Net cash flow from financing activities	–	(15.8)
Finance leases	(6.1)	(3.7)
Exchange adjustments	(0.2)	–
Change in net funds	(64.6)	(6.7)
Net funds at the beginning of the year	399.3	406.0
Net funds at the end of the year	334.7	399.3

21 Commitments

21a Contracts placed for future expenditure

	Group 2001 £m	Group 2000 £m	Home Services 2001 £m	Home Services 2000 £m
Fixed asset additions	37.8	36.9	19.6	–
Programme acquisitions and sports rights	658.3	369.0	591.5	333.1
Independent programmes	24.8	13.4	24.8	13.4
	720.9	419.3	635.9	346.5

The increase in contractual commitments this year is due to the negotiation of favourable long-term contracts for key programmes and for the television and radio rights for major sporting events.

21b Operating leases

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

	Land and buildings 2001 £m	Land and buildings 2000 £m	Other 2001 £m	Other 2000 £m
Group				
Within one year	2.3	2.2	11.5	8.7
In two to five years	18.6	18.4	12.3	8.6
After five years	8.8	8.7	3.2	5.9
	29.7	29.3	27.0	23.2
Home Services				
Within one year	2.1	1.8	7.2	6.0
In two to five years	10.5	10.2	6.4	2.1
After five years	7.6	7.3	–	–
	20.2	19.3	13.6	8.1

21c Other financial commitments

In the ordinary course of business the BBC enters into a large number of contracts with artists and writers and with providers of other services including licence fee collection and channel distribution.

22 Contingent liabilities

At 31 March 2001 the Group had unprovided contingent liabilities estimated to be £2.8 million (2000 £4.5 million) in respect of guarantees and indemnities.

A subscription-based funding arrangement for BBC World Service Monitoring was introduced in April 1997. BBC World Service reserves of £7.0 million (2000 £5.1 million) include amounts arising as a result of charging a return on capital employed to its customers, together with other accumulated excesses of income over expenditure. There are limitations placed upon the use that BBC Monitoring can make of these funds and the return of these funds at some point in the future to HM Government remains a possibility.

BBC Resources Limited has a contract with 3sixtymedia Limited for the use of studios. In the event that turnover earned by 3sixtymedia Limited from the BBC falls below specified levels, BBC Resources Limited is liable to pay a proportion of any redundancy costs which arise as a consequence, up to a maximum of 100%. It is not practicable to quantify the possible amount of any such liability, as it is dependent upon both the level of redundancy costs and the level of turnover provided by BBC Resources Limited. In the event that this liability crystallises, there will be a dilution in BBC Resources Limited's shareholding in 3sixtymedia Limited.

The Group also has a number of contingent liabilities arising from litigation. The BBC makes specific provision (note 16) against an estimate of any damages and costs which may be awarded.

23 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 the BBC has not disclosed transactions between Group entities where more than 90% of those entities' voting rights are controlled within the Group. The Home Services do not underwrite any of the activities or liabilities of the subsidiaries.

23a Transactions with joint ventures and associated undertakings

Included in the income and expenditure account is income from UKTV of £24.7 million relating to the sale of programmes; and the Discovery joint ventures of £23.4 million relating to the sale of programmes. In addition, Frontline Limited charged £2.2 million for the distribution of BBC Worldwide Limited's magazines. Also included in the income and expenditure account is expenditure with Parliamentary Broadcast Unit Limited of £0.4 million relating to a licence to broadcast from Parliament and television feeds. In all transactions, the terms of trade were negotiated on an arm's length basis.

Amounts owed by/to joint ventures and associated undertakings at the year end are disclosed within notes 14 and 15.

23b Other transactions

Sir Christopher Bland, the Chairman of the BBC, was also Chairman of Exel plc (formerly NFC plc) until May 2000. He was a minority shareholder of Exel plc owning 1,126,500 shares, equating to 0.2% of the total equity, during his time as a chairman of Exel plc. Exel plc owns Exel Logistics Limited which had a distribution contract with BBC Worldwide Limited which concluded in May 2000 and was not renewed. The contract was entered into before Sir Christopher Bland became the Chairman of the BBC. In May 2001, he became Chairman of British Telecommunications plc.

Sir Richard Eyre, Governor, is also Chairman and Managing Director of Chestermead Limited. Chestermead Limited was commissioned by the BBC to produce various arts programmes. The cost to the BBC of these programmes during the year was £115,500 and the amount unpaid at 31 March 2001 was £96,400.

Baroness Hogg, Governor, is also the Chairman of Frontier Economics. During the year, the BBC paid £39,000 to Frontier Economics for two projects related to market analysis and market research on incorporation of BBC Technology Holdings Limited and in relation to new service launches of which no amount was outstanding at the year end.

Ranjit Sondhi, Governor, is married to Anita Bhalla, who has been employed by the BBC since 1987 in various production and broadcasting roles. Her current role is Social Affairs correspondent for the West Midlands. Her remuneration is based on the BBC's standard terms and conditions applicable to other staff employed in this capacity.

In the normal course of business, there are a number of transactions between the BBC and other parties which are related by virtue of the fact that senior employees of the BBC are married to or have family relations with individuals who own or are employed at other media, production and broadcasting companies. The BBC has set procedures for dealing with such situations to avoid any conflict of interest. Where transactions have arisen between connected parties, the BBC employee is not a party to the approval process.

During the year, the transaction noted below occurred in the normal course of business and is being disclosed as the BBC employee is also a director of the company which transacted with the BBC.

The BBC purchased the rights to *NCS: Manhunt* from Q.P. Productions for £50,000 in September 2000. Jane Tranter, who has since been appointed Controller of Drama Commissioning, is also a director of Q.P. Productions. In line with BBC policy, she was not party to the approval process for this commission. There are no amounts unpaid at the year end.

Broadcasting Facts and Figures

Programmes and audiences

1 15-minute weekly reach* by service (all homes)

	2000/2001 %	1999/2000 %
Total BBC Television and Radio reach	94.4	94.9
BBC Television	88.4	90.0
BBC One	85.7	87.6
BBC Two	69.1	70.1
ITV	82.6	85.4
Channel 4	67.3	68.5
Channel 5	38.5	37.5
Other channels	33.0	29.3
BBC Radio	60.9	60.7
Radio 1	23.5	24.1
Radio 2	19.5	18.6
Radio 3	3.6	3.7
Radio 4	16.8	16.7
Radio Five Live	10.6	11.5
BBC Nations' and Local Radio	19.1	19.2
Virgin	5.8	6.6
Classic	11.5	11.2
TalkSport	4.1	4.2
All local commercial radio	57.0	56.8

Source: BARB, RAJAR*, age 4+, average reach for the year

2 Share* by service (all homes)

	2000/2001 %	1999/2000 %
Total BBC Television and Radio share	43.1	43.1
BBC Television (including BBC digital channels)	38.2	39.1
BBC One	26.8	28.3
BBC Two	11.0	10.8
ITV	28.9	30.4
Channel 4	10.3	10.4
Channel 5	5.7	5.6
Other channels	17.3	14.5
BBC Radio	49.7	48.7
Radio 1	10.6	10.9
Radio 2	12.6	12.0
Radio 3	1.2	1.2
Radio 4	10.4	10.2
Radio Five Live	3.9	4.1
BBC Nations' and Local Radio	11.0	10.3
Virgin	1.6	2.1
Classic FM	4.2	4.0
TalkSport	1.4	1.5
All local commercial radio	40.4	40.8

Source: BARB, RAJAR*, age 4+, average share for the year

3 Three-minute weekly reach* of BBC services and selected competitors (in digital homes only)

	2000/2001 %	1999/2000 %
BBC Choice	18.4	17.4
BBC Knowledge	3.0	2.0
BBC News 24	7.7	5.0
Sky One	46.0	49.6
ITV 2 (not available on satellite)	2.5	1.0
E4 (launched 18.1.2001)	18.2	–
Discovery	22.9	14.6
Sky News	13.7	11.9
ITN News (launched 1.8.2000)	5.2	–
BBC News 24 reach on BBC One/Two (all homes)	8.6	7.2

Source: BARB*, reach in digital homes

4 Combined BBC radio and television reach* by genre

	2000/2001 %	1999/2000 %
Music and arts	50	49
Current affairs	22	21
Documentaries/features	78	80
Drama (non-soap)	59	61
Drama (soap)	49	51
Films	25	25
Comedy	50	58
Other entertainment	69	68
Network news	53	53
Regional news	41	38
Sport	36	34

Source: BARB* Audience Reaction Service

Note: Based on respondents giving opinion on programmes. Reach based on at least one programme response in the course of a week. Excludes BBC Digital services.

5 Range of peak time UK-made programmes on network* television

Number of UK-produced genres shown for at least half an hour during peak time in a typical week. This excludes all digital output.

	Network BBC TV	BBC One	BBC Two	ITV/ C4/C5	ITV	C4	C5
Drama series	•	•		•	•		
UK originated serials	•	•	•	•	•		
Long-running serials	•	•		•		•	•
Sitcom – UK originated	•	•	•				
Other comedy	•	•		•			
Variety				•		•	
Quiz and panel games	•	•	•	•	•		
Family/people shows	•	•	•	•	•		•
Sport	•	•	•	•	•	•	•
Network news	•	•		•	•	•	•
Nations and regions news	•	•		•	•		
Current affairs	•		•	•			
Consumer affairs	•	•					
Arts	•		•				
Hobbies and leisure	•	•	•	•	•	•	
Natural history	•	•	•	•			•
Science and medical	•	•	•	•		•	
Human interest	•	•	•	•	•	•	•
Music – classical	•		•				
– contemporary	•		•	•			
Total 2000/2001	19	13	14	16	10	7	6
Total 1999/2000	19	13	13	18	10	9	6

Source: BARB*

Note: Peak time is 6pm–10.30pm.

6 Monthly BBC Online page impressions*

	March 2001 Millions	March 2000 Millions
News and Sport	169.5	76.8
Education	25.1	17.7
Other BBC Online	127.7	82.2
Total BBC Online	322.3	176.7
World Service	15.1	7.9

Source: Server logs

7 Monthly BBC Online reach* (millions of users)

	March 2001 Millions	March 2000 Millions
BBC Online	4.9	3.8

Source: Server logs

* See glossary on page 84 for definition of terms.

8 Top ten programmes 2000/2001

BBC One		Audience Millions	BBC Two		Audience Millions
1	EastEnders	18.01	1	The Weakest Link Celebrity Special	6.59
2	Euro 2000: England v Romania	14.56	2	Have I Got News For You	5.77
3	One Foot in the Grave	12.84	3	World Snooker Final (Williams v Stevens)	5.76
4	Comic Relief 2001	11.47	4	The Weakest Link	5.54
5	The Weakest Link	11.40	5	Have I Got Buzzcocks All Over	5.47
6	I Don't Believe It	11.25	6	The Simpsons	5.41
7	Film: Deep Impact	11.25	7	Congo	5.10
8	Film: Men in Black	10.69	8	Horizon	5.09
9	Casualty	10.40	9	The Simpsons: America's First Family	4.74
10	Antiques Roadshow	10.14	10	Journeys to the Bottom of the Sea	4.68

Source: BARB*

Note: For series, highest individual programme audience shown.

Hours of output – Television

9 Television

Total network* hours of output	on all platforms				digital platforms only							
	BBC One		BBC Two		BBC Choice		BBC Knowledge		BBC News 24		BBC Parliament	
	2000/2001	1999/2000	2000/2001	1999/2000	2000/2001	1999/2000	2000/2001	1999/2000	2000/2001	1999/2000	2000/2001	1999/2000
Factual and Learning	1,240	1,294	966	1,202	495	1,078	4,620	1,632	–	–	–	–
Education for Children	–	–	892	843	–	–	–	–	–	–	–	–
News and Weather	2,675	2,858	371	353	225	1	4	11	8,760	8,784	–	–
Current Affairs	99	94	183	183	–	–	–	–	–	–	–	–
Parliamentary	31	39	152	157	–	–	–	–	–	–	5,265	5,180
Entertainment	755	776	645	483	1,185	820	1	–	–	–	–	–
Sport	761	543	831	916	156	312	–	–	–	–	–	–
Children's	593	502	378	428	3,275	1,116	63	337	–	–	–	–
Drama	528	395	112	95	352	369	31	–	–	–	–	–
Music and Arts	27	35	220	208	57	49	1,102	1	–	–	–	–
Religion	107	107	14	17	–	4	27	–	–	–	–	–
Open University	–	–	766	780	–	–	–	–	–	–	–	–
Learning Zone	–	–	494	618	–	–	–	–	–	–	–	–
Acquired programmes	1,523	1,700	2,160	1,907	1,357	906	317	21	–	–	–	–
Continuity	233	250	270	271	278	251	238	268	–	–	–	–
Total network	8,572	8,593	8,454	8,461	7,380	4,906	6,403	2,270	8,760	8,784	5,265	5,180

Note: The genre classifications have been regrouped from last year's annual report for consistency with financial data. Light entertainment is now Entertainment. News and Weather have been combined. Parliamentary broadcasting has a wider definition to include such programmes as On The Record and Despatch Box. The Factual category includes 133 hours of originated education programming (155 in 1999/2000) which were previously listed separately. The other education categories have been renamed: Education for Children (instead of Schools); Open University (as before); and Night-time Education becomes Learning Zone. BBC One and Two are broadcast on all platforms. Some programmes are broadcast on both News 24 and BBC One or BBC Two, eg Breakfast News, and special events, and these are included under both channels. Acquired programmes are programmes not made or commissioned by the BBC, eg feature films. Continuity is all other output that is not programmes.

Table 10 Subtitling output on BBC television

Hours of output	BBC One/Two		BBC Choice		BBC Knowledge		BBC News 24	
	2000/2001	1999/2000	2000/2001	1999/2000	2000/2001	1999/2000	2000/2001	1999/2000
Subtitled hours	15,916	13,346	2,800	1,326	3,762	184	1,380	657
Target for year end	66%	60%	30%	10%	20%	5%	20%	10%
Actual at year end	72.4%	64.7%	48.5%	23.4%	55.6%	9.0%	20.3%	10.9%

Note: Actual figures at year end show the final quarter percentage.

Table 11 Signing and audio description

Average hours per week	2000/2001		
	Average hours per week	2000/2001 Actual at year end	2000/2001 Target for year end
Signing (data from 29.5.2000)	9.6	1%	1%
Audio description (launched 15.5.2000)	18.5	2%	2%

* See glossary on page 84 for definition of terms.

Table 12 Television hours of output by origin

	Programmes made in					Total 2000/2001	Total 1999/2000
	London	England (excluding London)	Northern Ireland	Scotland	Wales		
First transmission:							
originated programmes							
Network* BBC One and BBC Two							
Factual and Learning	892	667	5	66	12	1,642	1,842
Education for Children	119	2	1	3	2	127	93
News and Weather	3,044	–	–	1	1	3,046	3,211
Current Affairs	207	52	1	–	–	260	260
Parliamentary	181	–	–	–	–	181	194
Entertainment	655	180	7	14	–	856	763
Sport	1,471	–	–	–	–	1,471	1,378
Children's	295	96	–	86	3	480	497
Drama	210	117	12	29	13	381	326
Music and Arts	178	6	1	14	13	212	210
Religion	7	109	–	4	–	120	120
Subtotal	7,259	1,229	27	217	44	8,776	8,894
Nations and Regions							
Factual and Learning	–	19	58	60	39	176	207
Education for Children	–	–	14	10	6	30	30
News and Weather	–	2,812	330	371	315	3,828	3,683
Current Affairs	–	95	51	38	36	220	256
Parliamentary	–	145	30	131	87	393	317
Entertainment	–	–	56	15	22	93	87
Sport	–	–	119	219	175	513	457
Children's	–	–	–	11	–	11	5
Drama	–	–	–	1	7	8	8
Music and Arts	–	–	4	23	16	43	57
Religion	–	–	–	8	–	8	4
Subtotal	–	3,071	662	887	703	5,323	5,111
Acquired programmes	935	18	–	–	–	953	1,098
Total first transmission†	8,194	4,318	689	1,104	747	15,052	15,103
Repeats							
Network*							
Network*	4,906	547	10	37	34	5,534	5,142
Nations and Regions	–	–	81	135	15	231	122
Continuity	504	20	99	104	119	846	837
Open University	766	–	–	–	–	766	780
Learning Zone	475	3	–	16	1	495	619
Total hours of broadcasting	14,845	4,888	879	1,396	916	22,924	22,603
of which independents							
Network*	941	491	24	88	13	1,557	1,615
Nations and Regions	–	9	75	91	85	260	296

Table 13 Network* television hours of output, repeats only

General programmes	BBC One	
	2000/2001	1999/2000
Factual and Learning	206	153
Education for Children	–	–
News and Weather	–	–
Current Affairs	20	16
Parliamentary	–	–
Entertainment	255	291
Sport	96	49
Children's	151	128
Drama	193	118
Music and Arts	3	2
Religion	2	3
Open University	–	–
Learning Zone	–	–
Acquired programmes	1,031	1,128
Continuity	–	–
Total	1,957	1,888
Of which narrative repeats*	438	384
Repeats as a % of total output	23%	22%
General programmes	BBC Two	
	2000/2001	1999/2000
Factual and Learning	358	501
Education for Children	766	750
News and Weather	–	–
Current Affairs	1	–
Parliamentary	2	1
Entertainment	289	206
Sport	25	32
Children's	339	305
Drama	68	46
Music and Arts	31	31
Religion	–	1
Open University	691	744
Learning Zone	435	517
Acquired programmes	1,698	1,381
Continuity	–	–
Total	4,703	4,515
Of which narrative repeats*	303	282
Repeats as a % of total output	56%	54%

Hours of output – Radio

Table 14 Total radio hours of output by origin

Network* programmes	Radio					Radio Five Live	Total Network	Nations and Local Radio	Total 2000/2001	Total 1999/2000
	Radio 1	Radio 2	Radio 3	Radio 4	Radio 5					
Programmes produced in London	8,324	5,759	7,079	6,077	–	8,512	35,751	–	35,751	35,585
Programmes produced outside London										
England excluding London	428	2,857	893	1,371	–	233	5,782	–	5,782	5,974
Northern Ireland	84	12	97	33	–	7	233	8,614	8,847	8,388
Scotland	82	127	281	127	–	5	622	8,452	9,074	9,524
Wales	86	5	410	75	–	3	579	12,796	13,375	13,910
Subtotal	680	3,001	1,681	1,606	–	248	7,216	29,862	37,078	37,796
Local Radio	–	–	–	–	–	–	–	212,422	212,422	208,802
Asian Network	–	–	–	–	–	–	–	7,530	7,530	7,259
Open University	–	–	–	–	–	–	–	–	–	50
Total hours of broadcasting	9,004	8,760	8,760	7,683	–	8,760	42,967	249,814	292,781	289,492

* See glossary on page 84 for definition of terms.

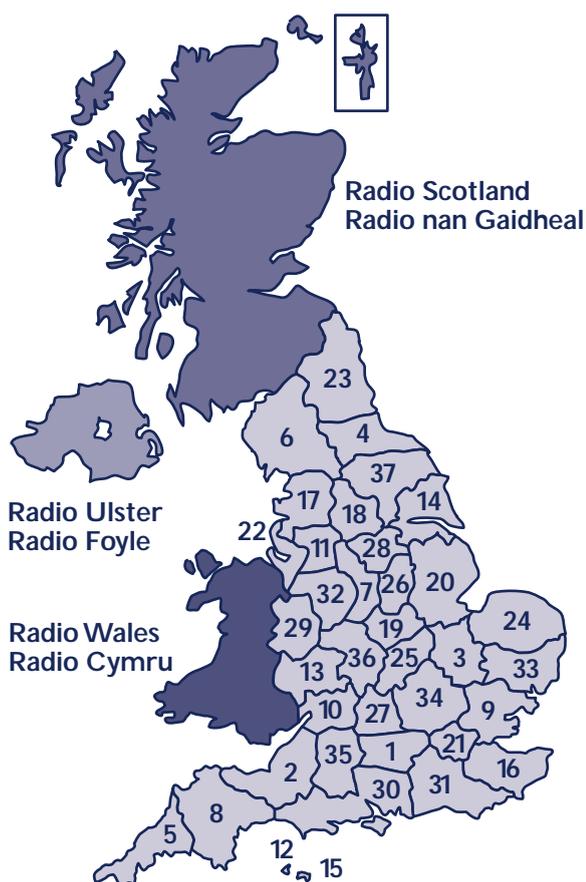
Table 15 BBC Network radio hours of output

	Radio 1		Radio 2		Radio 3		Radio 4		Radio Five Live		Total	
	2000/2001	1999/2000	2000/2001	1999/2000	2000/2001	1999/2000	2000/2001	1999/2000	2000/2001	1999/2000	2000/2001	1999/2000
Music	8,437	8,406	7,434	7,389	8,112	8,150	–	1	–	–	23,983	23,946
News and Weather	276	297	427	457	19	19	2,701	2,620	5,957	5,812	9,380	9,205
Sport	33	35	–	–	–	–	453	423	2,161	2,218	2,647	2,676
Knowledge	15	3	85	85	10	24	1,598	1,460	–	30	1,708	1,602
National debate	25	25	184	187	–	–	528	691	480	501	1,217	1,404
Drama	–	–	13	14	112	114	1,103	1,173	–	–	1,228	1,301
Arts	–	–	96	123	180	169	457	424	–	–	733	716
Comedy and Entertainment	6	–	105	90	–	–	406	423	33	97	550	610
Religion	–	–	189	188	64	58	179	189	–	–	432	435
Schools/continuing education	47	50	–	–	197	176	46	46	15	22	305	294
Leisure	16	24	46	46	–	–	147	100	–	–	209	170
Presentations and trailing	149	157	181	205	66	74	65	131	114	104	575	671
Subtotal	9,004†	8,997†	8,760	8,784	8,760	8,784	7,683	7,681	8,760	8,784	42,967	43,030
Open University	–	–	–	–	–	–	–	50	–	–	–	50
Total	9,004†	8,997†	8,760	8,784	8,760	8,784	7,683	7,731	8,760	8,784	42,967	43,080

Note: Digital radio – all networks are broadcast via DAB (Digital Audio Broadcasting), DSat (Digital Satellite) and are streamed online. † Radio 1 operates Nations' opt-outs from The Evening Session on weekday evenings.

Table 16 Nations' and Local Radio hours of output

	Population#	Total	Total		Population#	Total	Total
	Age 15+ (000s)	2000/2001	1999/2000		Age 15+ (000s)	2000/2001	1999/2000
Nations' Radio				Local Radio			
Northern Ireland:				1 Berkshire†	771	3,290	–
Radio Ulster	1,306	5,948	5,566	2 Bristol (including Somerset Sound)	1,210	7,402	7,460
Radio Foyle	114	2,666	2,622	3 Cambridgeshire	592	5,437	5,435
Scotland:				4 Cleveland	695	4,973	5,189
Radio Scotland				5 Cornwall	406	5,686	5,740
(including Radios Orkney and Shetland)	4,176	6,596	6,973	6 Cumbria	378	5,283	5,304
Radio nan Gaidheal	4,176	1,856	1,891	7 Derby	577	5,150	5,152
Wales:				8 Devon	895	5,834	5,761
Radio Wales	2,383	6,358	6,475	9 Essex	1,149	5,023	5,117
Radio Cymru	2,383	6,438	6,824	10 Gloucestershire	454	5,231	5,269
Subtotal		29,862	30,351	11 GMR	2,085	6,779	6,698
				12 Guernsey	49	4,007	3,459
				13 Hereford & Worcester	480	5,341	5,091
				14 Humberside	715	5,347	5,246
				15 Jersey	71	4,212	4,200
				16 Kent	1,270	5,542	5,283
				17 Lancashire	1,115	5,970	6,080
				18 Leeds	1,478	6,188	6,204
				19 Leicester	740	5,060	5,154
				20 Lincolnshire	476	5,118	5,328
				21 London Live 94.9	10,170	8,736	7,243
				22 Merseyside	1,605	5,792	5,840
				23 Newcastle	1,344	5,845	5,854
				24 Norfolk	667	6,208	6,197
				25 Northampton	429	5,112	5,826
				26 Nottingham	722	5,676	5,687
				27 Oxford†	489	5,389	7,640
				28 Sheffield	1,209	5,564	5,478
				29 Shropshire	352	5,292	5,312
				30 Solent	1,615	7,376	7,699
				31 Southern Counties Radio	2,335	6,327	6,493
				32 Stoke	593	5,095	5,171
				33 Suffolk	413	5,107	5,110
				34 Three Counties Radio	934	6,303	6,042
				35 Wiltshire Sound	491	7,964	6,178
				36 WM (including Coventry & Warwickshire)	2,732	8,607	8,791
				37 York	456	5,156	5,071
				Local Radio		212,422	208,802



Based on Total Survey Area (the area over which the radio stations' audience is measured for research purposes), aged 15+, for RAIAR reporting.

† Radio Berkshire and Radio Oxford were formerly combined as Thames Valley. The figures for 1999/2000 have been shown against Oxford.

Note: Details of BBC radio frequencies are available on www.bbc.co.uk/uk/radio or by calling 08700 100 112.

The number on the map indicates the local radio station listed above. The map is representative only and does not indicate coverage.

Financial statistics

Table 17 Comparative cost per household of viewing/listening per hour

	2000/2001	1999/2000
BBC	4.5p	4.4p
Sky multichannels (family package)	22.8p	20.4p
All cable, satellite and digital terrestrial channels	19.9p	17.4p
Video hire	63.6p	61.7p

Source: BARB, RAJAR*, BBC Strategy estimates. This table shows how the licence fee compares with other forms of entertainment, for each hour of viewing or listening.

Table 18 Spend outside London

	2000/2001 £m	1999/2000 £m
Cost of Nations' and Regions Television originations		
England	62	64
Scotland	29	32
Wales	23	23
Northern Ireland	23	23
	137	142
Cost of regional BBC and independent productions for Network* Television	212	180
Total cost of television originations in the Nations and Regions	349	322
Cost of Nations' and Local Radio originations		
England – Local Radio	69	71
Scotland	18	17
Wales	16	16
Northern Ireland	9	9
	112	113
Cost of regional BBC and independent productions for Network* Radio	31	44
Total cost of radio originations in the Nations and Regions	143	157
Other programme costs incurred outside London	68	65
Other costs, including transmission	106	99
Total spend outside London	666	643

* See glossary below.

Table 19 Spend on creative talent

	2000/2001 £m	1999/2000 £m
Artists and contributors	188	178
Copyright (including music copyright)	63	66
House orchestras	24	22

Table 20 Cost per hour of originated programmes*

	2000/2001 £000	1999/2000 £000
Originations		
BBC One	132.3	130.6
BBC Two	91.4	88.1
BBC Choice†	52.4	14.3
BBC Knowledge	62.7	6.7
BBC News 24	5.1	5.0
BBC Parliament	0.5	0.5
Television programme genres		
Factual and Learning	89	87
Education for Children	120	110
News and Weather	54	55
Current Affairs	118	119
Parliamentary	47	47
Entertainment	183	209
Sport	102	90
Children's	90	88
Drama	486	528
Music and Arts	110	106
Religion	102	101
Radio stations		
Radio 1	3.1	2.9
Radio 2	3.3	3.2
Radio 3	4.0	4.1
Radio 4	9.6	9.3
Radio Five Live	6.2	5.8
Nations and Regions		
Television (BBC One/Two/Choice)	24.7	26.9
Nations' and Local Radio	0.5	0.5

† BBC Choice includes a branded block of children's programmes shown between 6am and 6pm.

Table 21 Creative spend sourced outside the BBC

	2000/2001 £m	1999/2000 £m
Independent programme productions transmitted	203	215
External programme facilities and resources	183	181
Acquired programmes transmitted	76	79

Glossary

Reach	The percentage of people viewing or listening to at least 15 minutes (or three minutes) consecutively. The standard TV definition (BARB) is three minutes while that for radio (RAJAR) is 15 minutes. Usually measured daily or weekly. Online reach is based on claimed usage as adults that have used BBC Online at least once in a month.
Share	The amount of viewing/listening to a given station or service expressed as a percentage of all viewing/listening during a defined timeband.
Page Impressions	Page impressions (PIs) measure the total number of visits to our Online pages.
BARB	Broadcasters' Audience Research Board. The joint industry committee, funded by television companies and advertising agencies, responsible for producing audience measurement and audience reaction data for the industry.
RAJAR	Radio Joint Audience Research Ltd is jointly owned by the Association of Independent Radio Companies and the BBC. RAJAR operates a single audience measurement system for the radio industry. RAJAR data is published quarterly.
Network	Network is used in the BBC to mean programmes transmitted to at least ten of our 13 regions or areas.
Narrative repeats	Narrative repeats are programmes appearing twice in a weekly schedule.
Originated programmes	Originated programmes/originations are the first showing only of programmes directly produced or commissioned by the BBC.

Getting in Touch

BBC Information

For viewers and listeners to make a comment, complaint or enquiry, there is now a single contact point. Please write to:

BBC Information
PO Box 1922
Glasgow G2 3WT

Telephone: 08700 100 222*
(Calls charged at national rate)

Text phone: 08700 100 212

BBC Online:

www.bbc.co.uk/info
Fax: 0141 307 5770
Ceefax: page 695

* Calls may be monitored or recorded for training purposes. Welsh language services available when you ring or write.

BBC Reception Advice

For television and radio reception advice, including information on how to receive new digital services. Please write to:

BBC Reception Advice
BBC Television Centre
London W12 7RJ

Telephone: 08700 100 123
(Monday–Friday 8am–7pm)
Text phone: 08700 100 212
BBC Online:
www.bbc.co.uk/reception
Ceefax: page 695 and 698

Programmes

To share your views on our television programmes, please contact:

Points of View
BBC Television
London W12 7SB

Telephone or fax:
020 8811 1050 (operational when programme is on air)
e-mail: pov@bbc.co.uk

To share your views on our radio programmes, please contact:

Feedback
PO Box 2100
London W1A 1QT

Telephone: 08700 100 400
e-mail: feedback@bbc.co.uk
Fax: 020 7436 2800

BBC Programme Complaints Unit

If you think that a programme is in serious breach of the standards we set, please write to:

Head of Programme Complaints
Programme Complaints Unit
BBC Broadcasting House
London W1A 1AA

The BBC's Broadcasting and Advisory Councils

To contact the BBC's Broadcasting and Advisory Councils, please write to:

The Broadcasting Council for Scotland

The Secretary
Room 3152
Broadcasting House
Queen Margaret Drive
Glasgow G12 8DG

The Broadcasting Council for Wales

The Secretary
Broadcasting House
Llandaff
Cardiff CF5 2YQ

The Broadcasting Council for Northern Ireland

Head of Public Affairs and Secretary
Broadcasting House
Ormeau Avenue
Belfast BT2 8HQ

The English Regional Advisory Councils

The Secretary
English Regions
BBC Broadcasting Centre
Pebble Mill Road
Birmingham B5 7QQ

Tickets to BBC shows

For free tickets to BBC radio and television programmes, please write to:

Audience Services
PO Box 3000
BBC Television Centre
London W12 7RJ

Telephone: 020 8576 1227

BBC Online:

www.bbc.co.uk/tickets

e-mail: tv.ticket.unit@bbc.co.uk

Getting tapes of programmes

For copyright reasons, this is generally not possible. But the programme may be available on video or audio cassette. Please call BBC Worldwide on 0870 600 7080

Contributing to programmes

The BBC has a Diversity Database of potential contributors to help BBC programme makers find new faces and voices – and reflect better the full diversity of UK society. We are particularly interested in hearing from disabled people, people from ethnic minority backgrounds and older people. For an application form, please write to:

Diversity Database Project
Co-ordinator
Room 7021
BBC Television Centre
London W12 7RJ

Telephone: 020 8576 4807

e-mail:

diversity.database@bbc.co.uk

Fax: 020 8742 9066

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Work Experience
PO Box 27118
London W12 8ZL

Telephone: 020 8225 9883

e-mail:

work.experience@bbc.co.uk

BBC Online:

www.bbc.co.uk/jobs

Ceefax: page 696

You can also listen to recorded careers information advice on 08700 100 180

For queries about your television licence

Please phone TV Licensing on:

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(general enquiries)
08705 337 722
(direct debit payments)
08705 226 666
(new licence applications)
Text phone: 08705 758 604

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Auditors' supplementary notes to online accounts

1) The maintenance and integrity of the BBC website is the responsibility of the Governors and Executive Committee; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.

2) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG

Chartered Accountants

Registered Auditors

London

June 11th 2001