



BBC Annual Report and Accounts 2001/2002

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. It is also available in Welsh, in an audio version, in Braille and in a version tailored for people with learning difficulties.

We also publish the *BBC Statements of Programme Policy*, setting out the BBC's objectives and plans for the coming year. This is available in public libraries and on the BBC's website at www.bbc.co.uk/info. It is available in Welsh, in an audio version and 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.

The BBC's wholly-owned commercial subsidiaries, BBC Worldwide Limited and BBC Ventures Group (BBC Broadcast Limited, BBC Resources Limited, BBC Technology Holdings Limited and Kingswood Warren Ventures 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 2001/2002.

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

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Above: *The Blue Planet*.



Above: In a successful year for BBC Films, Jim Broadbent won an Oscar for his performance in *Iris*.



Left: Simon Schama presented the second series of *A History of Britain*.

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Above: Yat-Kha, one of the winning performers in this year's first *BBC Radio 3 Awards for World Music*.

Right: Martin Shaw and Jenny Seagrove in G F Newman's drama for BBC One, *Judge John Deed*.



Chairman's foreword



It is the view of the Governors that 2001/2002 was a very successful year for the BBC. While there is still more to achieve, real progress was made in delivering programmes of quality and distinction – from the BBC World Service to BBC Radio 2, from BBC One to the launch of CBeebies – and the BBC met its target to spend more on programmes and services and less on overheads two years early. Audience approval rose and the vast majority of the objectives set by the Governors last year were met.

I was interviewed for the post of BBC Chairman – the first such interview ever to take place under the new open system for public appointments – at 3pm on 11 September 2001. Less than an hour earlier, events of unprecedented terror in New York City had shaken the world. When, three weeks later, I moved to the BBC, it was clear that the need to report and reflect on these great global events would be the BBC's greatest challenge in my first year as Chairman.

So it proved. The BBC's news staff responded magnificently to the challenge. Reporters from around the world covered the story as a unified team, and all of our key news outlets – domestic television, radio and online, the BBC World Service and BBC World – added enormously to their reputation by providing balanced, impartial and in-depth coverage of this challenging international story.

It was not easy. As the story developed, both at home and overseas, the BBC's coverage came under intense scrutiny and, as in previous conflicts, its impartiality was questioned. Such criticisms were unfounded and I was proud that our news operations emerged with flying colours. Indeed, there is no other news organisation which had the global presence and skill to better the BBC.

The story is by no means over. There may be more challenges ahead. Yet life will go on and, at home, the BBC will seek to

bring great events to all our audiences. The BBC's traditional role in unifying the country has been to the fore in recent months, with our coverage of the sadness surrounding the Queen Mother's death, and the happiness which marked the Queen's Golden Jubilee. Coverage of the Jubilee weekend showed the BBC at its very best.

In sport, the BBC remains the popular choice at most of the greatest events. Who can forget – in England at least – Michael Owen's hat-trick in Munich, or David Beckham's penalty against Argentina? Or Olympic Gold for Britain – and Scotland – in curling? And, across the UK, *BBC Children in Need* raised a record £25million for disadvantaged children.

The BBC's ability to bring people together remains central to our mission. It is becoming ever more important in view of the increasing diversity of the UK. People's outlook, tastes and interests are based not only on social background and ethnicity, but frequently on age or family status or on where they live. The BBC needs to serve them all.

It is right for the public to have high expectations of the BBC. The Governors have always been charged with the responsibility of ensuring that the BBC fulfils its public service remit across all of its services. To do this, we sometimes have to stand up for the BBC against attacks from self-interested critics. We will continue to fulfil this role when it is needed.

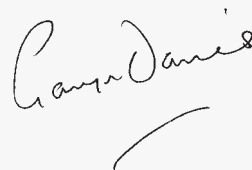
But we know that independence is a privilege which we must continue to earn. This is why, in February, I announced a series of reforms designed to modernise the governance of the BBC. These will enable the Governors to concentrate on ensuring the BBC is delivering the public interest and enable the management to focus on the day-to-day running of the BBC. We will judge these changes a success if the BBC's independence is protected and it continues to deliver distinctive programmes and services to everyone in the UK.

A key objective for all BBC services is to stretch their ambition and provide more programmes of indisputable quality in more genres. Even a year which included *The Blue Planet*, *The Way We Live Now*, *Perfect Strangers*, *Conspiracy*, *A History of Britain* and the *BBC Radio 3 Awards for World Music*, not to mention the launch of our new arts and culture channel, BBC Four, was not enough to convince everyone of our unremitting commitment to quality. The Governors found, however, that, week in, week out, throughout the year, the BBC sought – not just on BBC One but across its portfolio of channels and services – to stretch the imagination and to expand the horizons of its viewers and listeners.

Nevertheless, the BBC can do even better on a more consistent basis. Arts and political programmes are two areas where the BBC faces a similar challenge: to engage a broader audience while still providing programmes for enthusiasts.

The objectives we have set for the BBC in 2002/2003, laid out in this *Report*, reflect these priorities. As has been the case throughout our history, it will be the job of the Governors to hold the organisation to these demanding objectives.

The BBC has always been a mass market broadcaster, but one which seeks to serve the public in a way which is unique in the world. As we travel further down the path to a digital age, nothing in our core purpose has changed. Quality and distinctiveness in all of our output is our ultimate goal.



Gavyn Davies *Chairman*

Running the BBC

The BBC's Board of Governors is responsible for ensuring that the BBC fulfils its public service obligations. It safeguards the BBC's independence, sets key objectives, approves strategy and policy, monitors performance and compliance and ensures public accountability. The Governors appoint the Director-General and, with him, other members of the Executive Committee, and determine their remuneration.

The Director-General is the BBC's chief executive and editor-in-chief. BBC operations are run by the directors of ten programming and broadcasting divisions and five professional services, and by the chief executives of the BBC's commercial services. They report to the Director-General and, together, make up the Executive Committee.

The Executive Committee is responsible for running the BBC, proposing key objectives, developing strategy and policy in the light of set objectives, and operating all services within the strategic and policy framework approved by the Governors.

The Board of Governors and the Executive Committee share the same overall ambition – to ensure that the BBC serves the public interest as effectively as possible within its remit and funding. Neither body has other interests, such as shareholder value, to distract them from this. They work with each other to achieve this fundamental aim.

Board of Governors

Gavyn Davies OBE Chairman of the BBC since October 2001. Previously Vice-Chairman from January 2001. Also chairs the Commercial Committee and the Remuneration Committee. Born in 1950. Economic adviser to 10 Downing Street Policy Unit from 1976 to 1979 and economist with Phillips & Drew and Simon & Coates before joining Goldman Sachs in 1986 as Chief Economist. From 1991 to 1999 he was a member of HM Treasury's independent forecasting panel; has also been an economic adviser to the House of Commons Treasury Select Committee and a visiting professor at the London School of Economics. In 1999 he chaired an independent inquiry into the future funding of the BBC. He is an Advisory Director at Goldman Sachs.

Rt Hon The Lord Ryder Vice-Chairman of the BBC since January 2002. Chairman of the Fair Trading Compliance Committee and member of the Remuneration Committee. Born in 1949. Political Secretary to Margaret Thatcher from 1975 to 1981. MP for mid-Norfolk from 1983 to 1997. Parliamentary Under Secretary

at MAFF; Economic Secretary to the Treasury; Paymaster General then Government Chief Whip from 1988 to 1995. Privy Councillor since 1990. Created life peer in 1997. Director of Ipswich Town FC since 1999. Chairman of Eastern Counties Radio until his appointment to the BBC.

Sir Richard Eyre CBE BBC Governor since 1995 and member of the Programme Complaints Committee. Born in 1943. Freelance theatre, film and television director and writer. Directed and co-wrote the Oscar-winning film *Iris*. After ten years in regional theatre in Leicester, Edinburgh and Nottingham, was Director of the Royal National Theatre from 1988 to 1997, directing 27 productions and producing over 100 more. Series Producer of BBC TV's *Play for Today* from 1978 to 1981.

Dermot Gleeson BBC Governor since November 2000. Member of the Audit Committee and the Commercial Committee. Born in 1949. Executive Chairman of the M J Gleeson Group Limited. A director of the Housing Corporation from 1990 to 1995, and of the Construction Industry

Training Board since 1995. Former Head of the Home Affairs Section of the Conservative Research Department and a member of Christopher Tugendhat's cabinet in the European Commission from 1977 to 1979.

Baroness Hogg BBC Governor since February 2000. Member of the Audit Committee, the Commercial Committee and the Remuneration Committee. Born in 1946. Economist with extensive experience of business, government and the media. Chairman of 3i Group and also of Frontier Economics. Director of P&O Princess and GKN. Sarah Hogg was Head of the Prime Minister's Policy Unit from 1990 to 1995 and was made a life peer in 1995.

Roger Jones OBE The BBC's National Governor for Wales since December 1996 (retires December 2002). Member of the Audit Committee and Fair Trading Compliance Committee. Chairman of BBC *Children in Need* and the BBC's Pension Fund Trustees. Born in 1943. Founded Penn Pharmaceuticals in the early 1980s and is also director of Agropharm Limited

and Lansdales Pharmacies Limited. Chairman of the Cancer Research Campaign in Wales, the Industrial Trust in Wales and, since April 2002, of the Welsh Development Agency.

Professor Fabian Monds CBE The BBC's National Governor for Northern Ireland since August 1999. Member of the Programme Complaints Committee and Fair Trading Compliance Committee. Born in 1940. Specialist in communications and information systems. Chairman of Invest Northern Ireland and of the Northern Ireland Centre for Trauma and Transformation in Omagh. Former Pro-Vice Chancellor of the University of Ulster. Founding partner of Medical and Scientific Computer Services Limited and WesternConnect Limited.

Dame Pauline Neville-Jones DCMG BBC International Governor since January 1998. Chairs the Audit Committee and the Governors' World Service Consultative Group and member of the Programme Complaints Committee and Remuneration Committee. Born in 1939. A career member of the Diplomatic Service from 1963 to 1996, including a five

The Board of Governors, from left
Back: Lord Ryder, Professor Fabian Monds, Sir Robert Smith, Sir Richard Eyre, Baroness Hogg, Ranjit Sondhi
Middle: Dame Pauline Neville-Jones, Gavyn Davies, Dermot Gleeson
Front: Roger Jones
Below: Sir Anthony Young.



year secondment in Brussels and three years as Political Director in the Foreign and Commonwealth Office. From 1996 to 2000 she worked for NatWest markets and its corporate advisory arm, Hawkpoint Partners. She is Chairman of Qinetiq Group plc and of the Information Assurance Advisory Council.

Sir Robert Smith The BBC's National Governor for Scotland since August 1999. Chairman of the Programme Complaints Committee and member of the Commercial Committee. Born in 1944. Chairman of the Weir Group from July 2002, member of the Board of the British Council and member of the Judicial Appointments Board for Scotland. Formerly Chief Executive and Vice-Chairman of Deutsche Asset

Management, a director of the Financial Services Authority and Chairman of the Board of Trustees of the National Museums of Scotland.

Ranjit Sondhi **CBE** BBC Governor since August 1998 with special responsibility for the English Regions. Chairman of the English National Forum and member of the Programme Complaints Committee. Born in 1950. Senior Lecturer at the University of Birmingham's Westhill College. Trustee of the National Gallery and Chairman of the Heart of Birmingham Primary Care Trust. Former Deputy Chairman of the Commission for Racial Equality and former member of the Independent Broadcasting Authority and the Radio Authority.

Sir Anthony Young BBC Governor since August 1998 (retires July 2002). Member of the Fair Trading Compliance Committee. Born in 1942. Current President of the TUC General Council. Senior Deputy General Secretary of the Communication Workers Union (CWU) since 1998. Formerly General Secretary of the National Communications Union until its merger with the Union of Communication Workers to form the CWU. European Co-President of the Union Network International. Member of the Employment Tribunal Steering Board.

Sir Christopher Bland was Chairman of the BBC until September 2001 when he resigned to become Chairman of British Telecom plc.

Heather Rabbatts **CBE** also served as a BBC Governor from March 1999 until her resignation in December 2001 to take up the post of Managing Director of 4Learning at Channel 4.

Director-General's review

By any standards it has been a remarkable year at all levels – global, national and local. And on each level the BBC has risen to major broadcasting challenges, demonstrating what it is capable of and why it remains one of the world's most trusted and valued broadcasters.

The BBC World Service's role as a beacon of independence and integrity even in the most difficult and dangerous conditions has rarely shone more brightly. In the aftermath of 11 September the Afghan people turned in their millions to the Persian and Pashto services for unbiased reporting of what was happening to their country. The service, which won the Sony Radio Academy's 2001 Award, remains a model of the BBC's purpose and values.

On the day that the conflict began, 35 million people in the UK tuned to the BBC for its coverage of the attacks on America – on television, on radio and on the web. For news of the Queen Mother's death and coverage of her funeral, again the BBC was the broadcaster of choice for three-quarters of the audience. And on General Election night last June it was BBC radio and television to which the nation turned.

When whole communities come under unprecedented threat, as happened in areas like Devon and Cumbria as the blight of foot-and-mouth disease destroyed thousands of livelihoods last year, the BBC again comes into its own. BBC local radio stations became the focal point around the clock for news, for information and for putting communities in touch. BBC Radio Cumbria, in particular, provided a quite extraordinary service to communities across the county for months on end and was, deservedly, Sony Station of the Year.

These viewing and listening figures and these accolades do not come to us on a plate. None of them happens on the strength

of the BBC's past glories. They come about, each time and in each place, only because dedicated and inventive staff across the BBC constantly rise to new challenges, constantly deliver the strength and quality under pressure that distinguishes our news and events coverage. If there is a better demonstration of public service broadcasting, I haven't found it.

In the past year we have launched BBC interactive television services, which have achieved a reach of more than eight million viewers from a standing start, and three new digital television channels and two new digital radio services. By the end of 2002 three more digital radio channels will be on air and we remain hopeful of winning Government consent for the launch of BBC Three.

In April 2000 as part of the *One BBC* initiative we set ourselves the target of reducing the proportion of our income spent on running the BBC from 24% to 15% within four years. By March 2002 we had already achieved it, two years early. Partially as a result of this, we have been able to increase programme spend in the past year by a record £270million, and this has started to make a real difference to the quality and ambition of what we have produced. We plan to increase programme spend by a further £180million in 2002/2003.

BBC One has begun to develop the richer mix of programmes we promised, with more drama and landmark factual programmes. The channel also overtook ITV in audience share for the first time in 2001 – a lead it has held and indeed increased in 2002. BBC Two's audience share also rose – a remarkable achievement as more and more homes switch to digital.

BBC Radio has had a sensational year in terms of audience figures, with records broken by BBC Radio 4, BBC Radio Five



The BBC launched five new digital channels in 2001/2002.

Above: Rugby Sevens from Hong Kong.



Above: *The Flowerpot Men*.

Left: *The Xchange crew*.



Live and above all by BBC Radio 2. The BBC's Nations & Regions, marooned for too long on the outer edges of the organisation, have come in from the cold and are spearheading a closer relationship between the whole BBC and the distinctive and diverse communities which make up our audience across the UK. The north of England has also been better reflected with dramas such as *Merseybeat*, *Linda Green* and, more recently, *Cutting It* and *Auf Wiedersehen, Pet*.

We have refocused our marketing and communications activities in the past year and achieved a step change in the way we talk and listen to our audiences, and we have modernised our approach to human resources and the way we talk and listen to our staff.

But our vision of *One BBC* hasn't yet been achieved. That is why in February we launched *Making it Happen*, to help us reach our long-term goal of making the BBC the most creative organisation in the world. We have shown over the past year what a resourceful, inventive and dynamic organisation we are. Imagine what still greater heights we can scale if we can release all the innate creativity of every individual who works for us.



Greg Dyke *Director-General*



Township Opera, seen here performing *Carmen*, followed conductor Charles Hazlewood as he auditioned untapped talent in South African townships.



Liz Kershaw



Executive Committee

Greg Dyke Director-General since January 2000, having joined the BBC as D-G Designate in November 1999. Previously Chairman and Chief Executive of Pearson Television from 1995 to 1999. Former posts include Editor in Chief of TV-am (1983), Director of Programmes for TVS (1984) and Director of Programmes (1987), Managing Director (1990) and Group Chief Executive (1991) at London Weekend Television. He has also been Chairman of Channel 5, Chairman of the ITA, a director of ITN, Channel 4 and BSkyB and a non-executive director of Manchester United FC.

Jenny Abramsky CBE Director of Radio & Music since April 2000. Responsible for BBC Radios 1, 2, 3, 4, Five Live, the Asian Network, new digital radio services, TV classical music, *Music Live*, the *BBC Proms* and the three BBC orchestras based in England. Previously Director of Continuous News. Former posts include Controller of BBC Radio Five Live, Editor, Radio News & Current Affairs and Editor, *Today* programme.

Glenwyn Benson Joint Director, Factual & Learning since March 2001. Responsible (with Michael Stevenson) for all general and specialist factual programmes and content, and learning for both adults and children, across TV, radio and interactive media. Previously Controller of Specialist Factual programmes. Former positions include Head of BBC Science and Editor, *Panorama*.

Mark Byford Director of World Service and Global News since October 2001. Responsible for BBC World Service (since 1998) and will lead all international news and information services across radio, television and new media. Previously Director of Regional Broadcasting. Former positions include Head of Centre, Leeds and Home Editor, TV News.

Stephen Dando Director of Human Resources & Internal Communications since June 2001 (*replaced Gareth Jones, who left in June 2001*). Responsible for all BBC people and organisation

issues, including staff communications. Previously global Human Resources Director at Guinness Limited. Former positions include Group Management Development Director, Diageo, and spells with UDV Europe, United Distillers, Ferranti International and Austin Rover.

Andy Duncan Director of Marketing & Communications since June 2001. Responsible for all the BBC's marketing, publicity, press and PR, customer services and audience research activities. Previously European Director for Unilever's Food and Beverages division. Former positions include UK Marketing Director then European Marketing Director with Unilever's UK Food and Beverages division and Chairman of the Tea Council.

Carolyn Fairbairn Director of Strategy & Distribution since April 2001. Responsible for strategic planning and the distribution of all BBC services. Previously Director of Strategy. Former positions include Director of

Strategy, BBC Worldwide Limited, working in the Downing Street Policy Unit and for McKinsey and Company.

Roger Flynn Chief Executive of BBC Ventures Group since June 2001. Responsible for the BBC's commercial media services divisions: BBC Broadcast Limited, BBC Technology Holdings Limited, BBC Resources Limited and Kingswood Warren Ventures Limited. Previously Managing Director of Prudential Retail. Former positions include General Manager, World Sales and Distribution, British Airways, and Commercial Director, Virgin Communications Group.

Rupert Gavin Chief Executive of BBC Worldwide Limited since July 1998. Responsible for all of the BBC's commercial consumer activities in home markets and around the world. Previously Managing Director of BT's Consumer Division. Former positions include Director of Information, Communications and Entertainment for BT, and Deputy Managing Director of Dixon's Stores Group.

The Executive Committee, from left
Standing: Peter Salmon, Mark Byford, Caroline Thomson, John Smith, Rupert Gavin, Alan Yentob, Carolyn Fairbairn, Pat Loughrey, Michael Stevenson, Andy Duncan.

Seated: Glenwyn Benson, Ashley Highfield, Roger Flynn, Stephen Dando, Jenny Abramsky, Greg Dyke, Jana Bennett (*appointed April 2002*), Richard Sambrook.



Ashley Highfield Director of New Media & Technology since October 2000. Responsible for BBC internet output, interactive TV and new platforms (broadband, mobile etc), the BBC's technology portfolio, technical innovation, and research and development. Previously Managing Director of Flextech Interactive, the pay TV company's new media division. Former positions include Head of IT and New Media for NBC's European Channels.

Pat Loughrey Director of Nations & Regions since May 2000. Responsible for BBC programmes and services in Scotland, Wales, Northern Ireland and the English Regions. Previously Controller, BBC Northern Ireland. Former positions include Head of Programmes and Head of Educational Broadcasting for BBC Northern Ireland and teaching and broadcasting in Ireland and Canada.

Peter Salmon Director of Sport since November 2000. Responsible for all BBC Sport activity across TV,

radio and new media. Previously Controller, BBC One for three years. Former positions include Director of Programmes at Granada TV, Controller of Factual Programmes at Channel 4 and Head of Features at BBC Bristol.

Richard Sambrook Director of News since March 2001. Responsible for the BBC's broadcast news operations and the provision of daily news and current affairs programming for all UK-wide BBC TV, radio and online services. Previously Deputy Director, News. Former positions include Acting Director of Sport, Head of Newsgathering, News Editor and Deputy Editor, *Nine O'Clock News*.

John Smith Director of Finance, Property & Business Affairs since April 2000. Responsible for all BBC finances including TV licence collection and property strategy. Won the *Accountancy Age* Financial Director of the Year Award in 2001. Previously with British Rail, overseeing

de-mergers. Non-executive Director of Vickers plc until December 1999. Member of the Accounting Standards Board.

Michael Stevenson Joint Director, Factual & Learning since April 2000. Responsible (with Glenwyn Benson) for all general and specialist factual programmes and content, and learning for both adults and children, across TV, radio and interactive media. Previously Director of BBC Education. Former positions include Deputy Director of Nations & Regions, BBC Secretary and Deputy Editor, *On The Record*.

Caroline Thomson Director of Public Policy since July 2000. Responsible for the BBC's main policies in editorial, regulatory and compliance areas, legal affairs and government relations. Previously Deputy Director, BBC World Service. Former positions include Director of Strategy & Corporate Affairs, BBC World Service, Commissioning Editor, Science & Business at Channel 4 and political assistant to Roy Jenkins in 1983.

Alan Yentob Director of the Drama, Entertainment & CBBC division since April 2000. Responsible for all creative output in these areas, including BBC Films, and for talent management across the BBC. Previously Director of Television. Former positions include Controller of BBC One and BBC Two, Head of Music & Arts and founder Editor, *Arena*.

Mark Thompson was Director of Television from April 2000 until his resignation in December 2001 to take up the post of Chief Executive of Channel 4.

Jana Bennett OBE became Director of Television in April 2002. Responsible for the BBC's output on BBC One, BBC Two, BBC Choice and BBC Four. Previously General Manager and Executive Vice President at Discovery Communications Inc. in the US. Former positions include Director of Production at BBC, Head of BBC Science, Editor of Horizon and Senior Producer on Newsnight and Panorama.



Delivering value for audiences

The BBC spent an extra £270million on programmes and services in 2001/2002, the biggest increase in spending in the BBC's history. On average people spent 19 hours 54 minutes a week with the BBC – 43.8% of their viewing and listening and over a fifth of their leisure time (21.3%).

The additional programme spend was partly financed from an above-inflation licence fee increase, but mostly from good housekeeping. This included reductions in licence fee evasion, increased contributions from our commercial subsidiaries and cutting overheads. The objective of spending 85% of BBC income on programmes was achieved two years ahead of target. A more detailed review of the BBC's finances is on pages 70 and 71.

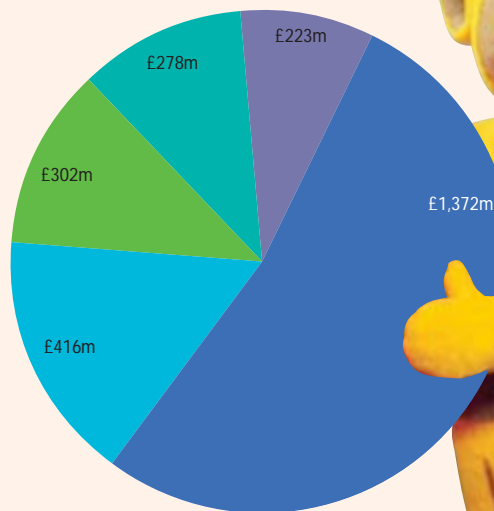
UK broadcasting spend

The BBC remains committed to analogue services, allocating over 87% of spend to them.

Total £2,591m	Digital services £278m
Television £1,372m	BBC One and BBC Two Digital Enl CBBC, CBeebies £20m
BBC One £962m	BBC Choice £53m
BBC Two £410m	BBC News 24 £50m
Nations & Regions £416m	BBC Parliament £4m
Nations & Regions television £252m	BBC Four/Knowledge £32m
Nations & Regions radio £164m	Digital text and interactive £11m
Radio £302m	Digital radio £8m
BBC Radio 1 £38m	BBCi (internet) £100m
BBC Radio 2 £43m	Transmission and collection costs £223m
BBC Radio 3 £53m	Licence fee collection costs £95m
BBC Radio 4 £90m	Analogue transmission costs £75m
BBC Radio Five Live £77m	Digital transmission costs £52m
BBC Asian Network £1m	

BBC World Service expenditure was £205million. The BBC World Service is funded 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 BBC World Service.

Differences due to rounding.



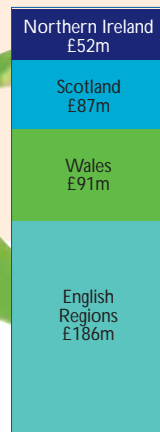
Content spend by genre

The biggest increases in spending were on drama and entertainment as part of plans to enrich BBC One.



Spend on local TV and radio in the Nations and English Regions

In addition to the local spend shown below, £291million was spent outside London on network television and radio.



Total: £2,032m

Total: £416m

Audience approval of the BBC

	Mean score out of 10
2001/2002	6.8
2000/2001	6.5

Source: Pan BBC Tracking Study.

Overall approval of BBC services and of the BBC as an organisation continued to rise in 2001/2002.

Weekly reach of BBC services

	%
Television	86.5 (88.4*)
Radio	63.4 (60.9*)
Combined television and radio	93.0 (94.4*)

* 2000/2001 figures.

Source: BARB, RAJAR, age 4+, average 15-minute weekly reach for the year.

Reach figures for television have to be treated with caution this year due to a change in measurement by the BARB panel.

Despite increasing demands on leisure time, BBC services reached 93% of the UK population.

BBCi internet use

	Millions
2001/2002	5.6 (4.2*)

* 2000/2001 figure.

Source: BBC server logs, adults age 15+. Average monthly use.

BBCi attracted an average of 33% of all UK adult internet users over the year.

BBC share of viewing and listening

		%
Total BBC television (including digital channels)	2001/2002	38.4
	2000/2001	38.2
BBC One	2001/2002	26.5
	2000/2001	26.8
BBC Two	2001/2002	11.1
	2000/2001	11.0
BBC Radio	Q1 2002	52.6
	Q1 2001	52.1

Source: BARB, age 4+, average share for the year.

RAJAR, age 15+, average share for the year.

BBC One's share has increased both in analogue and digital homes, although, because the proportion of digital homes has increased, overall share has fallen slightly. BBC Two's share continued to rise. BBC Radio achieved record audiences. BBC Radio 2 added two million new listeners over the year.

Award-winning output from the BBC

During 2001/2002 BBC television and radio programmes and web content won a string of major national and international awards. These included:

- 22 Gold Awards at the Sony Radio Academy Awards
- 16 Royal Television Society Programme Awards
- 12 Royal Television Society Craft and Design Awards
- 10 BAFTA Television Programme Awards
- 10 British Soap Awards
- 10 Broadcasting Press Guild Television and Radio Awards
- 9 Royal Television Society Sports Awards
- 8 CRE Race in the Media Awards
- 8 Royal Television Society Journalism Awards
- 8 Royal Television Society Educational Awards
- 7 BAFTA Television Craft Awards
- 7 EMMA Awards
- 7 One World Media Awards
- 6 BAFTA Children's Film and Television Awards
- 5 Gold Promax Awards
- 4 British Comedy Awards
- 4 Golden Rose of Montreux Awards
- 3 Emmy Awards
- 3 Grierson Awards
- 2 Banff TV Festival Awards
- 2 Golden Globe Awards
- 2 Prix Europa Awards
- 1 BAFTA Interactive Award
- 1 Prix Italia Award
- 1 Webby Award 2001
- Queen's Award for Enterprise (BBC Worldwide)

Plus, Jim Broadbent won an Oscar for his performance in *Iris*, a BBC Films production.

Performance against last year's objectives

The BBC had a strong year in 2001/2002, in which almost all the 12 specific objectives set by the Board of Governors were met. As importantly, it was a year in which the BBC rose to the challenge of major, unforeseen events. Its response in each case exemplified its dedication to the values of public service broadcasting.



The Governors' assessment of the BBC's performance against the objectives for 2001/2002 is set out below.

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

This objective was met

- The Governors recognise the tension implicit in seeking to strengthen the reach and share of BBC One and other core services while maintaining their distinctiveness. Nonetheless, they believe that the BBC can make programmes of distinction which appeal to large audiences and the investment of an additional £90million in BBC One in the period from 2001 to 2003 is in direct support of this objective.
- Highlights on BBC One in the past year ranged from *The Way We Live Now* to *Walking with Beasts*, from *Clocking Off* to *The Blue Planet* and from *Your NHS* to *Only Fools and Horses*. The number of annual hours of drama on BBC One rose from 528 in 2000/2001 to 561 in 2001/2002. At the same time docu-soaps fell from 48 hours in 2001 to an estimated 26 hours in 2002. The number of genres broadcast in peak time on BBC One – 15 – continued to be higher than any other broadcaster. During 2002 more arts programmes, documentaries and serious factual programmes are being scheduled after the *Ten O'Clock News*.
- Additional investment has helped BBC One reassert itself as the primary channel for a broad spread of audiences across the UK. Its share rose both in analogue homes (from 32.1% in 2000/2001 to 34.1% in 2001/2002) and digital homes (from 18.2% to 18.9%). The aggregate figure across all homes fell marginally (from 26.8% to 26.5%) as more homes switched to digital, but across the calendar year 2001, BBC One was the most-watched television channel in the UK, for the first time since the 1950s. This position has been maintained during 2002.



Top: *Armadillo*, based on a novel by William Boyd, was one of a raft of new dramas on BBC One.

Above: *Text Message* by Jeanette Winterson, a drama from the new Radio 3 series, *The Wire*.

BBC Four News with George Alagiah and Kirsty Lang.





Far left: The *Blue Peter* team's summer roadshow.

Left: A new look for BBC One.

- Audiences for other core services generally rose during the year. BBC Two's share increased across all homes from 11.0% in 2000/2001 to 11.1% in 2001/2002, with rises both in analogue homes (up 0.2%) and in digital homes (up 0.5%).
- BBC Radio increased its reach by 1.8 million year on year and its share from 52.1% in the first quarter of 2001 to 52.6% in Quarter One 2002. BBC Radio 2 gained two million new listeners during the year and there were also significant rises in reach for BBC Radio 4, BBC Radio Five Live and BBC Local Radio (including services in the Nations).

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

This objective was met

- Strong public support for the BBC's digital proposals was demonstrated in the consultation process during 2000 and the current licence fee settlement provides earmarked funding for new digital services until 2006/2007. The challenge set by the Governors in 2001/2002 was for the BBC to launch services which can begin to play a distinctive role in these new marketplaces, while recognising that, especially in radio, initial audiences are likely to be small.
- CBeebies and CBBC launched in February 2002. Both carry much higher levels of original British-made programming than any of the commercial channels. CBeebies, for under-sixes, has achieved critical success and high audiences among young children in a very short period of time. CBBC, targeted at six to 13 year olds, has made slower progress initially in an especially tough market.
- BBC Four launched to critical acclaim in March 2002 and attracted an audience reach of 5% in digital homes in its first month on air – over twice the average achieved by its predecessor, BBC Knowledge (three-minute reach figures).
- The first two of the BBC's new digital radio services were launched – BBC Five Live Sports Extra in February 2002 and 6 Music in March 2002. It is difficult to measure audiences for digital radio at this stage. The three remaining services – iXtra, the BBC Asian Network and Network Z (working title) will be launched before the end of 2002.

- The BBC is still awaiting permission from the Secretary of State for Culture, Media and Sport to launch its planned digital channel for young adults, BBC Three.

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

This objective was met in part

- The BBC has a special responsibility, as a publicly funded broadcaster, to try to ensure that its programmes and services offer value to audiences of all ages and from all ethnic backgrounds.
- BBC One's share among 16 to 34 year olds fell by 0.8% in 2001/2002, to 23.1%. This was greater than the channel's overall fall in share of 0.3% to 26.5%. BBC Radio, however, increased its listening among 15 to 34 year olds from 9.2 million in 2000/2001 to 9.7 million in 2001/2002 and BBC Radio 1 increased its reach in its target audience of 15 to 24 year olds from 3.5 million to 4.0 million.
- Although BBC Choice has increased its reach and share during the year, the BBC still plans to replace it with a new channel, BBC Three, explicitly targeted at younger audiences, with a unique high-quality programme mix in which news, current affairs, education, music and the arts will account for a third of the channel's new programming. This is dependent on permission from the Secretary of State for Culture, Media and Sport.
- Progress has been made in increasing on-screen diversity. Popular dramas like BBC One's *Holby City* and *EastEnders* have successfully reflected multicultural Britain in new ways, as have programmes on BBC Two such as *Babyfather* and *The Kumars at No. 42*. Overall representation of minority ethnic groups on BBC television, measured between September and November 2001, was 11.8%.

Right: *Heart of Harlesden*.

Far right: *Walking with Beasts*, a landmark factual programme which linked interactive technology to the power of television.





- BBC One's share among Asian viewers increased from 20.3% in 2000/2001 to 21.8% in 2001/2002, although this still remains below the UK average. Among black viewers, however, share of viewing to BBC One fell from 20.9% to 18.4% during the year. The story is similar on BBC Two.
- In radio, too, listening by both black and Asian people remains low, with 50% listening to BBC Radio each week compared with 66% across the total population. Choice for black and Asian listeners will be increased later in 2002 with the launch of 1Xtra, the new digital service dedicated to black music culture, and the expansion of the BBC Asian Network into a UK-wide digital station.

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

This objective was met

- The BBC has the same responsibility to serve audiences in every part of the country as towards audiences of all ages and ethnic backgrounds. The BBC's response to devolution and regional diversity has moved beyond news and political reporting to entertainment and factual programming. Tackling underperformance in the North of England has been a priority.
- The number of BBC One drama productions set and made in the North in the past year has increased significantly, including *Linda Green*, *Merseybeat*, *Cutting It*, *Born and Bred* and *Auf Wiedersehen, Pet*. A new writing initiative run with regional theatres, *Northern Exposure*, has also been a major success, attracting over 4,000 writers in its first year.
- BBC One's share rose by 1% in the North East and 0.9% in the North West. In Yorkshire and Lincolnshire, where performance was already higher, the rise was 0.1%. All these figures contrast with BBC One's overall fall in share of 0.3%, though each remains below the channel's average share across the UK.
- The proportion of network television programmes made outside London and the South East rose again, to a new record of 38%. Network programmes commissioned from

the Nations also increased, with expenditure rising from £55million in 2000/2001 to £66million in 2001/2002. It is projected to rise to over £90million in 2002/2003.

- Increased investment in local television output in the Nations during 2001/2002 helped BBC One's share rise in peak time in Scotland by 0.6% and in Northern Ireland by 1.1%. BBC One's share in Wales remains above the network average.
- Local radio, including services in the Nations, hit a new record in March 2002 with a weekly reach of 10.9 million listeners a week. BBC regional news remains the market leader in every Nation and Region at lunchtime and in the late evening. The same is true of the main 6.30pm early evening programmes except in Northern Ireland and the North East & Cumbria.
- Considerable progress has been made in increasing the localness of BBC services in England. New regional television news services were launched for London, the South East, East Yorkshire & Lincolnshire and the Channel Islands during the year, together with new local radio services for Oxfordshire, Berkshire and specific towns and cities such as Swindon, Milton Keynes and Peterborough. Thirty-seven *Where I Live* community websites have also been launched across England in a major expansion of the BBC's local internet presence.

5 Reinvalidate the creativity and capabilities of the BBC's in-house production teams across the BBC

This objective was met

- The BBC's services are only as good as the programmes in their schedules. The challenge for the year was to provide a critical mass of new programming which really resonated with audiences.
- BBC Drama has had a highly creative and successful year with new series such as *Judge John Deed*, *Merseybeat* and *Waking the Dead* joining long-running successes such as *Casualty* and the reinvigorated *EastEnders*, which has risen splendidly to the challenge of maintaining its quality and distinctiveness while expanding to four episodes a week. The BBC's Specialist Factual departments have continued their long record of success with new productions such as

Right: BBC One produced a second award-winning series of *Clocking Off*, starring Ricky Tomlinson.



Far right: BBC Radio Gloucestershire on the trail of foot-and-mouth disease.





Far left: *Stig of the Dump* continued the strong tradition of children's drama on BBC One.

Left: Interactive choices from BBCi brought a new dimension to watching the Winter Olympics.

The Blue Planet, *Walking with Beasts* and *Son of God* and the Children's department with *Stig of the Dump* and *I Was a Rat*. Comedy successes included *The Office*, *Happiness* and *Manchild*.

- Radio, benefiting from the reintegration of production staff, has had a strong year creatively, with highlights including new comedy on BBC Radio 2, new writing in *The Wire* on BBC Radio 3 and *Dawn Chorus Day* and the Poetry Weekend at the Lowry on BBC Radio 4. BBC network, national and local radio won a total of 22 of this year's 30 Sony Radio Academy awards.
- The television commissioning system is still not working at maximum effectiveness or as collaboratively as it could in factual programming areas, and this is being addressed by the incoming Director of Television and her team.

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

This objective was met

- The BBC's aim is to become the UK's number one digital destination. A new media strategy designed to increase the attractiveness and impact of the BBC's online services and to develop innovative interactive television offerings met with considerable success during the year.
- All internet and interactive services across the BBC were rebranded as BBCi last November. Traffic to the BBC's website increased by 70% during the year, with significant growth in educational and children's services. Interactive television was launched to critical and popular success, with more than eight million viewers accessing one of its new services.

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

Fulfilling this objective is dependent on approval from the Secretary of State

- In May 2002 the BBC applied to the Secretary of State

for Culture, Media and Sport for approval to develop and launch a digital curriculum service. This would be a new public service from the BBC, allowing it to play a significant role, along with others in the public and private sectors, in the development of the world's first comprehensive 'Curriculum Online' announced by the Government in December 2001. The service would be available via the internet, providing teachers, children and parents across the UK with a valuable new resource and encouraging the uptake of e-learning.

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

This objective was met

- This continuing objective requires the BBC to explore ways of delivering the best possible value for money by further reducing its overheads and exploiting appropriate commercial opportunities in both consumer and business-to-business markets.
- Licence fee collection achieved a further 0.9% reduction in the evasion rate, which fell from 8.8% to 7.9% (using the new DCMS methodology). Improvements in collection provided the BBC with an extra £43million.
- The outsourcing of property and facilities management will save the BBC an estimated £83million by 2006/2007. New premises across the UK will be more appropriate for a modern broadcasting organisation and more accessible for audiences.
- The introduction of a single finance system (SAP) across all parts of the BBC has reduced the number of suppliers from 140,000 to 31,000 and will halve finance headcount by 2004.
- BBC Worldwide Limited contributed £106million to the BBC this year and is on course to achieve its £210million target by March 2007. BBC Ventures companies have been formed to make significant savings for the BBC and to provide another source of cash flow over time.



Left: *606* – Radio Five Live's Saturday phone-in dissects the football action.

Right: *Up in Town*, a BBC Two series of six poignant monologues starring Joanna Lumley.



9 Move towards the long-term goal of increasing the percentage of licence fee income spent on programmes to 85%

This objective was met – two years early

- This objective, set in 2000/2001 to be achieved by 2003/2004, has already been met. The cost of running the BBC was reduced from 24% in April 2000 to 15% by March 2002.

10 Improve our openness and accountability to all stakeholders

This objective was met

- This continuing objective reflects the Governors' aim to ensure that the BBC is a model of openness and accountability among broadcasters and other public bodies.
- A new framework was developed for modernising BBC accountability and dialogue with audiences in tandem with the governance reforms announced in February 2002. A new Governance & Accountability department has also been formed to provide dedicated support to the Governors in carrying out their central role of monitoring and supervising the BBC's public interest remit.
- New formats for public consultation were piloted during 2001/2002. This year's *Annual Report* is designed to be more transparent and accessible and for the first time will be launched outside London (in Birmingham). *Statements of Programme Policy* for each of the BBC's services will be published simultaneously.
- Audience appreciation of the BBC has risen significantly during the year. Asked "what is your general impression of the BBC?" the average score, measured on a ten point scale, rose from 6.5 to 6.8 across the year. The BBC scores consistently higher than other broadcasters on these measures. Support from opinion formers and MPs in similar surveys also rose.

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

Progress continues towards achieving this objective

- The past year has seen a steady advance towards achieving the higher targets which were set last year, to be achieved by December 2003. The proportion of staff from minority ethnic groups rose from 8.4% in March 2001 to 8.9% in March 2002. Over the same period the proportion of senior managers rose from 2.6% to 3.2%.

12 Drive a change in BBC culture to generate greater collaboration

Progress continues towards achieving this objective

- Cultural change takes time to achieve but there was evidence of a shift towards greater co-operation between staff working in different parts of the BBC during the past year. This was reflected in the increased number of major projects which brought staff from different parts of the BBC together, including *Your NHS*, *Walking with Beasts* and *The Lost World*.
- The BBC commissions an annual poll from MORI to measure staff attitudes towards internal communication. In 2001/2002 this showed a further 5% overall improvement year on year and brought the BBC into MORI's top ten communicating organisations.
- In February 2002 the Director-General launched *Making it Happen*, designed to help achieve the long-term goal of creating *One BBC* and making the BBC the most creative organisation in the world by releasing the innate creativity of every individual who works for it. There are already signs of this initiative bearing fruit.



Left: Trinny Woodall and Susannah Constantine telling us *What Not to Wear*.

Right: Posh and Becks – alias Alistair McGowan and Ronni Ancona.



Next year's objectives

On the basis of last year's review of performance and audience needs, these are the objectives set by the BBC Governors for 2002/2003.

Strengthening BBC programmes and services

Underpin the BBC's public service remit by extending the range and quality of its radio and television services, with a focus on broadcasting more high-impact, memorable programmes, particularly arts and current affairs.

Strengthen the BBC's digital services, to ensure that the overall portfolio has something of value for everyone, provides a wide range of interactive learning opportunities and helps to drive digital take-up.

Connecting with all audiences

Bring younger audiences to BBC services by developing bold and innovative programmes and content with a particular focus on making the BBC's news and current affairs more relevant and engaging for this group without diminishing the BBC's commitment to parliamentary reporting.

Continue to seek new ways of attracting audiences from the UK's ethnic minorities, through both mainstream and targeted services.

Ensure that the BBC is meeting the needs of audiences in all nations and regions of the UK.

Transforming the BBC

Make the BBC feel a more creative, collaborative and exciting organisation, in which all staff fully understand its purpose and values.

Ensure that the BBC is more representative of the audiences it serves. In particular:

- accelerate progress towards the BBC's target of 10% of its total workforce and 4% of senior management coming from ethnic minorities by December 2003
- increase the proportion of people with disabilities working for the BBC.

Providing better value

Continue to increase the amount of money available to spend on the BBC's public services with a particular focus on:

- increasing the cash flow to the BBC from improved licence fee collection
- increasing the contribution of the BBC's commercial subsidiaries to its public services
- further reducing overheads
- improving efficiency in programme production whilst maintaining quality of output.

Enhancing the BBC's reputation at home and abroad

Earn greater appreciation from UK audiences for the BBC as an open, creative and trusted public service organisation.

Build on the impact made by the BBC's global news services in the past year through a co-ordinated global news strategy across radio, television and new media.

The Statements of Programme Policy which we publish in conjunction with this Annual Report explain in detail how each of our services plans to deliver the BBC's public service priorities in 2002/2003.



Left: Juliet Stevenson reads Jane Austen's *Persuasion*, a Radio 4 *Book at Bedtime*.

Right: *Babyfather*, award-winning new drama from BBC Two which will return for a second series.



Review of services: Television

BBC Television's three major objectives for the past year have been to strengthen BBC One, achieving a richer mix of content on the channel; launch the planned new digital services; and seek ways of giving a better service to currently under-served audiences, including young people, ethnic minorities and viewers across the north of England.



Above: David Suchet as Augustus Melmotte in BBC One's adaptation of Trollope's *The Way We Live Now*.

Far left: *Gimme, Gimme, Gimme* with Kathy Burke transferred successfully from BBC Two to BBC One.

Left: Mouse-eared bat on BBC One's *Natural World*.

The widest range

BBC One offered the widest range of peaktime programmes of any broadcaster, from comedy to current affairs, from science to the arts



The Lost World



Liza Tarbuck as fun-loving Northern singer, *Linda Green*.

A year which began with media watchers predicting steady decline for BBC Television as the digital age took further hold, ended with three new digital channels successfully launched, and the creative and editorial renewal of BBC One well under way. The channel's share rose in both analogue and digital homes. Even more against the prevailing trend, BBC Two's audience share rose to a three-year high.

These achievements need to be seen in the context of multi-channel television now being available in almost half of all UK homes, the vast majority of them digital. Non-terrestrial channels increased their combined audience share in the past year from 16.9% to 19.9% – and to 44.7% in digital homes.

While many excellent new programmes and series have appeared on BBC television in the past year, others – in common with any creative organisation committed to innovation and risk-taking – have occasionally fallen short of the best the BBC can achieve. And in some areas of output, such as arts programming, the mix still needs to improve.

Events of the past year, together with some early successes with new channels, are vindicating BBC Television's strategy of evolving, progressively, a portfolio of free-to-air channels for the digital age: BBC One, BBC Two, BBC Choice (which we plan to replace with BBC Three subject to DCMS permission), BBC Four, CBBC and CBeebies, BBC News 24 and BBC Parliament. The BBC is committed to maintaining

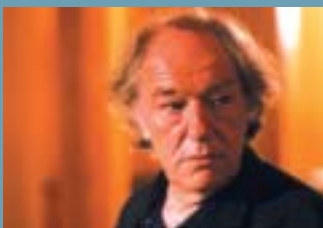
core public service values across that whole portfolio, and protecting the interests of analogue audiences by maintaining the centrality of BBC One and BBC Two within this range of services.

BBC One

BBC One's share for the past year was 26.5%, making it the most-watched channel in the UK. Peaktime share rose marginally to 28.4%.

Last year's *Annual Report* explained that it would take 18 months before viewers would see the full benefit of the additional investment in BBC One, the impact of moving our main news to 10pm and the development of fresh streams of programming in different genres. The channel is on course to achieve this by the autumn of 2002, having received an additional investment of £36million in the past year, with a further £54million to follow in 2002/2003.

Much new programming of real quality and impact has already been brought to the screen in the past 12 months. Landmark factual programmes included *The Blue Planet*, *Walking with Beasts*, *Child of Our Time* and *Your NHS*, a major collaboration between BBC One, News, Nations & Regions, Radio and New Media, which drew 20 million viewers, listeners and online users over the course of the day.



Above: Michael Gambon in Stephen Poliakoff's *Perfect Strangers*.

Right: Michael Owen celebrates his hat-trick with Steven Gerrard as England beat Germany 5-1.





David Jason and Nicholas Lyndhurst returned for the first of three new special *Only Fools and Horses*.

BBC One responded outstandingly to the year's major news stories, including the General Election, the death of the Queen Mother and, above all, the terrorist attacks on 11 September and their aftermath.

Only Fools and Horses returned on Christmas Day for the first of three new specials, watched by 21.4 million viewers. *Alistair McGowan's Big Impression* provided a fine showcase for the talents of Alistair McGowan and Ronni Ancona, *Gimme Gimme Gimme* transferred successfully from BBC Two and *All About Me* brought disability into mainstream comedy.

Inevitably, not all attempts at innovation have worked. Disappointments included the entertainment series *Celebrity Sleepover* and *The Joy of Text*, a novel Saturday night experience which did not altogether succeed.

Drama has contributed hugely to the channel's critical and popular success in the past year. *The Way We Live Now*, *Messiah* (with a sequel now in production) and *Clocking Off* were among the highlights, together with *Armadillo* and *The Lost World*, an innovative co-venture between the Science and Drama departments. *EastEnders* had a formidable year, introducing some of the most powerful storylines for years and becoming Britain's most-watched TV programme with the successful introduction of a fourth episode on Fridays from August.

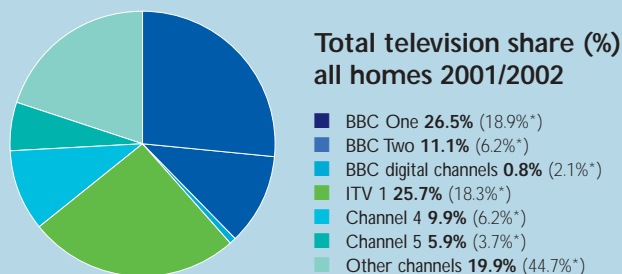
The Derby returned to BBC One, Wimbledon attracted more than two-thirds of the adult population across BBC One and

BBC Two and the audience to BBC One's live coverage of Germany v England in the World Cup Qualifiers peaked at 14.6 million. Women's curling came into its own as the unexpected highlight of the Winter Olympics, with 5.9 million people watching its thrilling climax.

Rolf on Art won 6.8 million viewers, more than any television programme about the visual arts has ever previously achieved. The BBC is aiming to build on this success with more arts programming on BBC One in the future.

Young audiences remain disproportionately lighter viewers. Many programmes reflected multicultural Britain more effectively, particularly BBC One's popular dramas *Holby City*, *Casualty* and *EastEnders*. BBC One's share increased amongst Asian viewers during the year but fell amongst African-Caribbean viewers. Work will continue to increase the inclusive appeal of the channel.

Northern characters and settings have been more in evidence in new dramas such as *MerseyBeat* and *Linda Green*. Audience appreciation of the BBC rose across the North and over the year BBC One's share rose by 1% in the North West and by 1.1% in the North East – both above the network trend. Channel share also rose slightly in Scotland, helped by popular successes such as *Two Thousand Acres of Sky* and *Monarch of the Glen*, though it fell by 0.3% in Northern Ireland. Commissions from outside London and the South East accounted for 38% of total output in 2001/2002 – ahead of the 33% target and the previous year's record 37%.



Source: BARB, age 4+. Differences due to rounding.

* Share in digital homes 2001/2002 shown in brackets.

Total BBC Television share was 38.4% (2000/2001 38.2%).



Mum's the word – Kat (Jessie Wallace) and Zoe Slater (Michelle Ryan) in *EastEnders*.

Art for all

Research showed that more UK adults watched *Rolf on Art* than visited art galleries in 2001/2002



The rejuvenation of Daytime has contributed much to BBC One's overall success, helped by programmes like the Pebble Mill drama series *Doctors*, which will now become a year-round series, *City Hospital* and *Bargain Hunt*.

The year ended with the introduction of a new look for the channel, with new logo, idents and *Rush Hour*, the brand film in which a stunt artist bounds across rooftops to make sure he's home in time to catch unmissable programmes on BBC One. Over the next year our aim is to ensure he has even more reason to take such risks.

BBC Two

BBC Two increased its audience share by 0.1% in the past year, to 11.1%. Peaktime share rose to 10.2%. Both are remarkable achievements as increasing numbers of homes become digital.

£29million of new investment is being provided over two years to support the channel's central aim of creating bolder and more distinctive programmes. In the past year this has produced major pieces as diverse as Stephen Poliakoff's *Perfect Strangers*, the Holocaust drama *Conspiracy* starring Kenneth Branagh, and Tony Marchant's adaptation of *Crime and Punishment*. The *Islam UK* season provided a fresh series of perspectives on a faith with an estimated 1.3 billion followers worldwide and *The Trench* recreated the harsh environment faced in World War One by the East Yorkshire Regiment with a group of 24 young volunteers from modern-day Hull.

BBC Two continued to reinvent classic genres. *How to be a Gardener* brought a refreshingly down-to-earth approach to the genre, Louis Theroux returned in fine form and *Trading Races* delivered a fresh perspective on race issues by altering people's ethnic appearance and observing the results. *A History of Britain* returned for a second series, and its creator and presenter, Simon Schama, also offered a historian's perspective on the Queen Mother's funeral (shown on BBC One).



Above: Rhona Martin launches the winning stone to bring Olympic glory to Britain.

Left: *Blue Peter*'s Konnie Huq gets the *Kumar* treatment from Sanjeev Bhaskar.





Left: The drama-documentary *Smallpox 2002: Silent Weapon*, a powerful exploration of the consequences of large-scale biological terrorism.

Right: A Pensioner calls a friend from the 2001 Chelsea Flower Show.



Smallpox 2002: Silent Weapon brought emergency planning to the fore in a novel docu-drama format, and *Arena: Dirk Bogarde* and *David Hockney: A Secret Knowledge* for *Omnibus* brought distinction to the channel's arts coverage.

But if one programme defined the channel in the past year it was surely the innovative workplace comedy series *The Office*, starring Ricky Gervais, which won a total of seven major awards, including two BAFTAs and was voted best new comedy of 2001 at the British Comedy Awards last December.

In a year of fine drama for BBC Two, *As the Beast Sleeps*, *Tales from Pleasure Beach* and *Band of Brothers* all stood out, and *Babyfather* won Diane Parish the RTS Best Actress award. *Bindi Millionaires*, *Heart of Harlesden* and the comedy success *The Kumars at No. 42* brought the diversity of modern Britain into the mainstream. *Attachments*, *Dr Terrible* and *'Orrible*, while attracting disappointing audiences, demonstrated the BBC's support for innovation.

BBC Choice

While the BBC awaited the Secretary of State's decision on its plans to create BBC Three, BBC Choice continued to supply an alternative approach to young adult viewers in digital homes,

increasing its reach and share to 16.3% and 0.5% respectively by the end of the year.

Breezeblock, by Rab C Nesbitt creator Ian Pattison, was a well-received drama, *Madonna's Millions* successfully blended financial journalism and humour and *Sex, Warts and All* provided a responsible look at the causes of sexually transmitted diseases. *Liquid News* successfully developed new ways of providing news for its target audience and was repeated nightly in a new slot on BBC One.

CBBC, CBeebies

Taking the first steps to establish a complementary portfolio of public service channels for the digital age, the BBC launched its two children's channels in February, with a combined annual budget of £37million.

CBeebies provides a dedicated space for pre-school children to watch, play and learn. It has made immediate impact with its target audience, and is already the number one channel for younger children. It carries 90% EU programming and includes a strong educational element, supported by a new interactive television service.

The CBBC channel offers UK-produced drama, entertainment and factual programmes, including news, for six to 13 year olds with a heavy emphasis on interactivity. At least three-quarters of the channel's output is made up of EU programmes. It is taking longer to establish the brand in an area of the market



Above: Twinkle the Cat from CBeebies' *Step Inside*.

Left: CBBC presenter Angellica Bell.

Steven Spielberg's *Band of Brothers*.

Breaking new ground

The BBC launched three new digital TV channels in 2001/2002: CBBC, CBeebies and BBC Four



where competition for children's time, across all media, is notoriously fierce, but early successes include the morning *Xchange* block and the weekend *Chart Show*, a joint venture with BBC Radio 1.

BBC Four

March saw a confident launch for the BBC's new channel exploring culture, the arts and ideas. BBC Four, which replaced BBC Knowledge, shared its first night debut with BBC Two and attracted an audience of over six million viewers. Excluding the BBC Two audience, the channel achieved a three-minute reach of 5% in digital homes in its first month on air.

Early highlights included *The Trials of Henry Kissinger*, *BritArt*, Robert Hughes' Goya documentary *Crazy Like a Genius* and *Strange New World*, an evening analysing the new international order six months after 11 September. BBC Four staged *The Resurrection Debate* from Coventry Cathedral, reflecting the current debate within the Church of England on the meaning of the resurrection. Ian Curteis' *The Falklands Play* was screened to mark the 20th anniversary of the war, and was subsequently repeated on BBC Two.

BBC Four's firmly international perspective was demonstrated in its commitment to showing some of the gems of world cinema – an area largely ignored by the host of commercial movie channels – and by the development of a nightly half-hour news bulletin with a distinctive emphasis on foreign affairs and a broad international agenda, hosted by George Alagiah.



Mother and son – Natasha Parry and Adrian Lester in Peter Brook's *The Tragedy of Hamlet* on BBC Four.

Top: *The Office* with Ricky Gervais and Mackenzie Crook, multi award-winning new comedy from BBC Two.

Above: Kenneth Branagh and Stanley Tucci star in BBC Two's outstanding holocaust drama *Conspiracy – The Meeting at Wannsee*.

Review of services: **Radio**

It has been a year of remarkable growth for BBC Radio as it rose to the challenge of developing and launching five new digital services that will double the number of BBC radio networks from five to ten in a single year. Two of them are already on air; the others will follow by the end of 2002.



Above: *Live and Exclusive* – Paul Weller in concert for Radio 2 in the BBC Radio Theatre.

Right: On the beach – Trevor Nelson broadcasting from Cyprus on Radio 1.
Far right: Radio 1's Sara Cox in action.

UK number one

BBC Radio 2 added two million new listeners and became the UK's most popular radio station



The year ended with Radio 2, Radio 4 and Radio Five Live all achieving record reach figures (as did BBC Local Radio, see page 33). This gave the BBC an overall weekly reach of 67.5% – the highest figure recorded under the present RAJAR system – and a total share of listening of 52.6%.

Radio 2 added two million new listeners in a single year. For the second year running it was Sony Station of the Year. The overall fall in the amount of listening to Radio 1 during the year was a concern, although its reach rose, particularly among its target audience of 15 to 24 year olds. The under-performance of all the networks – with the notable exception of Radio 1 – among ethnic minority audiences requires attention. Plans are being developed by each service to try to strengthen their appeal to black and Asian listeners.

Overall network radio share has risen in most regions, notably the Midlands and North. A major development was the creation of a new factual programmes unit in Manchester; *BBC Music Live* attracted around 250,000 people to live music events in Leeds, Bradford and York during May 2001; Radio 2 presented a special series of programmes from Nottingham and Cardiff; and Radio 1 produced *The Sessions in the Nations*, with different weekly shows broadcast simultaneously in Scotland, Wales and Northern Ireland. Total network radio spend outside London remained at 31%.

The internet sites for each network have built on the early success they achieved when launched in 2000 and now reach an estimated two million users a month. In the past year monthly page impressions have risen from 17 million to 36 million, including a 75% increase in traffic to the Radio 1 site.

BBC Radio 1

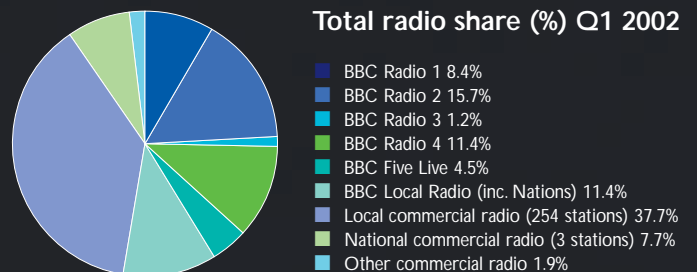
Radio 1's aim is to be the number one youth station. It plays 85% new music – more than any of its close competitors – and has remained the favourite station of its target audience

of 15 to 24 year olds, reaching 52.9% of this age group each week. However, its share of listening across the population (aged 4+) fell from 9.6% to 8.8%, and in its target age group from 24.5% to 23.9%, across the year.

Breakfast Show with Sara Cox peaked at 7.8 million listeners a week in the second quarter of 2001 – a three-year high. Sara's programme is the touchstone for millions of young people and an important launchpad for Radio 1's campaigns on exams, getting into work and money management. The failure to rein in comedian Ali G when he appeared as a guest was a serious lapse, given the age profile of many of the listeners and stricter new guidelines have been put in place to avoid similar incidents. The strength and depth of Radio 1's specialist music was enhanced this year with several new DJs joining the station including Fergie, Yousef and Lottie.

In line with its public service remit, Radio 1 appointed a politics specialist, Polly Billington, with a brief to engage with younger listeners. She successfully fronted the network's General Election coverage, which included interviews with the three main party leaders in clubs around the UK in front of young audiences who also put their points directly to the leaders. Since then, she has tackled a series of policy issues including drugs, crime and education with strong interactive elements developed through Radio 1's website, which now attracts over one million regular users.

Radio 1's emphasis on live performance saw the development of the *One Big Sunday* concept last summer with large-scale events staged in Swansea, Manchester, Irvine, Middlesbrough, Plymouth and Leicester, where major artists played to over 60,000 young fans. Six open-air *Dance Parties* were staged around the UK and a major New Year event took place in Belfast. One disappointment was the enforced cancellation of the *Love Parade* in Newcastle after the City Council was unable to satisfy local police over health and safety plans.



Source: RAJAR age 15+. Difference due to rounding.

Total BBC Radio share Q1 2002 52.6% (Q1 2001 52.1%).

Right: Britain's number one – 7.5 million people each week joined Terry Wogan for breakfast.



BBC Radio 2

The station's primary aim in the past year has been to continue to strengthen its appeal to new audiences while maintaining its commitment to its core older listeners. A key measure of its success is that it has increased its audience in both categories and become the most listened-to station in the UK. Twenty-two per cent more 35 to 54 year olds tuned in, taking the total to over five million, with the number of older listeners (55+) also rising by 9% to 5.3 million.

Breakfast with Wogan became the most listened-to breakfast show in Britain with 7.5 million people tuning in every week. This was one million more listeners than in 2001 – a feat matched by Ken Bruce and Steve Wright. At weekends Jonathan Ross added 660,000 new listeners during the year. Jimmy Young was knighted in the New Year's Honours List and his move was announced to a new weekend slot from next year.

Commercial competitors are increasingly targeting the Radio 2 audience. One of the key features that will continue to distinguish the station from its rivals is its programme range, which last year extended from comedy such as *Jammin'* and documentaries such as Alan Whicker's series on 70 years of British television, to a season of *Sunday Summer* gala concerts by the BBC Concert Orchestra and *Faith in the Nation* week, celebrating and exploring the broad spectrum of beliefs within the UK today.

Another essential element is the network's commitment to live music and events. In the past year these have ranged from *Live and Exclusive* concerts featuring Sting, the Bee Gees, Elton John, The Corrs and Paul Weller, to coverage of Celtic Connections,

the Cambridge Folk Festival and the Country Music Awards from Nashville. New musical talent is actively supported through the Young Folk Awards, Chorister of the Year and the National Youth Brass Band and Big Band Competitions.

The rich tradition of Radio 2 music documentaries continued with, among others, *The Colour of Music*, narrated by Lionel Richie, *The Bob Dylan Story*, presented by Kris Kristofferson, and Bill Wyman's look back at the history of British rhythm and blues, *R'n'B in Bright Lights*.

BBC Radio 3/BBC Proms

Radio 3 has increased its emphasis on new work and live performance in the past year, while also developing its jazz, world music, drama and cultural programming. Its commitment to offering listeners complete classical musical works, in context, remains unique in UK radio, as does its patronage of the five BBC orchestras and the BBC Singers.

The importance of live music was further strengthened with the introduction last July of *Sunday Live*, showcasing music from the best international festivals such as Salzburg, Amsterdam and Edinburgh. Distinguished orchestral leadership was maintained with Gianandrea Noseda succeeding Yan Pascal Tortelier at the BBC Philharmonic and Ilan Volkov replacing Osmo Vanska at the BBC Scottish Symphony Orchestra.

The *BBC Proms* attracted an average of 730,000 Radio 3 listeners – up 30,000 on last year – and over half of the concerts were completely sold out. They also attracted bigger live audiences, including a sharp rise in the number of first-time visitors (an encouraging 19% of the total). *Proms in the Park* sold out in Gateshead and the Eden Project in Cornwall, and attracted audiences of nearly 5,000 in Liverpool and 40,000 in London's Hyde Park. The programme for the *Last Night of the Proms* was significantly changed at short notice to reflect the international concern and mourning that followed 11 September.



Left: Jonathan Ross's Saturday show grew its audience to 5.3 million, bringing over 660,000 new listeners to Radio 2.

Right: Romanian gypsy band Taraf de Haidouks were Europe/Middle East winners at the Radio 3 Awards for World Music.



All that jazz

444,000 people each week now listen to jazz on BBC Radio 3 – 30% more than last year

Julian Joseph



The first BBC Jazz Awards, jointly produced with Radio 2, and the strengthened emphasis on world music exemplify Radio 3's commitment to musical breadth. 444,000 people a week now listen to jazz on the network – a 30% rise on last year. World Music Day (1 January) saw live link-ups with musicians in studios around the world, including a historic live music transmission from Kabul, and Radio 3's first *Awards for World Music* were enthusiastically received by press and public alike.

In speech, Radio 3's *Night Waves* won critical acclaim for providing the most ambitious cultural review and investigation on air. The network also continued its commitment to long-form drama and commissioned work from exciting new writers such as David Greig and Ursula Rani Sarma for *The Wire*.

BBC Radio 4

Radio 4's commitment to original journalism and its renewed emphasis on comedy have been key features of the past year. Audience growth has been another, with the network now attracting ten million listeners a week – 800,000 more than a year ago. Growth was achieved across the UK, except in Wales, but relative levels of listening remain low in the nations and the north of England.

This led to the decision to create a new Manchester-based factual programmes unit for Radio 4. Established in January, it contributed 70 programme items from across the north, including some for Radio 3, in its first six weeks of existence.

Original journalism comes in many forms. In the past year on Radio 4 it has ranged from *File on 4* and *Face the Facts* to *Farming Today's* coverage of the foot-and-mouth story, to *In Our Time*, *Letter from America* and award-winning documentaries such as *Roots of Homophobia* and *The Day They Made it Rain*. It has also brought innovations such as *Dawn Chorus Day*, which followed the sun round the earth in the course of a day, reflecting on the different animal and bird



Left: Andy Kershaw, winner of two Sony Golds and a Silver this year for his world music programmes on Radio 3.

Right: British and US national anthems were played back to back in a break from tradition at the *Last Night of the Proms* on 15 September last year.



Right: The Children's Cello Choir of the Amazon in Radio 4's *Music from the Rainforest*.

Far right: Radio Five Live's Wright (right) and Bright (left).



choruses, and *Today* programme co-presentations from Kabul, Islamabad, Jerusalem, Washington, New York and Kuala Lumpur in the wake of 11 September. In the breadth and depth of its programming, the network increasingly appeals to people with an intelligent interest in public and foreign affairs seeking exploration and analysis.

Comedy, led by *Dead Ringers* and the winner of this year's Sony Gold Comedy award, *I'm Sorry I Haven't a Clue*, attracted nearly five million listeners a week while new successes included *The Now Show*, *Think the Unthinkable*, the surreal comedy series *The Boosh* and *The In Crowd*, featuring new writing and performing talent from north-west England.

Radio 4's award-winning *In Touch* has covered issues such as the changes in copyright law that allow greater access to books for visually impaired people and the cultural issues surrounding British Asian communities.

Audiences for plays, stories and readings all increased during the year. Drama spanned *The Archers*, with over 4.5 million listeners; *Little Dorrit* with Sir Ian McKellen; a new Alan Bennett play, *Hymn*; *The Stone Diaries*, run across a single week in January, and *A Woman in Waiting*, which won the Sony Gold award for drama. Finally, the decision to re-run the 20 year old radio classic *Lord of the Rings* was vindicated when, over 13 successive Saturdays, it drew the highest audience for a radio drama in ten years.

BBC Radio Five Live

Audiences to Five Live rose to 6.4 million – more than 750,000 higher than last year. The breakfast and drivetime duos of Julian Worricker and Victoria Derbyshire and Peter Allen and Jane Garvey both won Sony Gold awards, *Chiles on Saturday* won the Sony Gold Sports award and Alan Green was voted Speech Broadcaster of the Year.

Audiences for live sport rose to more than four million listeners a week. *Sport on 5* has been extended to offer sports journalism, live coverage and breaking stories seven days a week and the station's all-important contract for Premiership football commentary rights has been successfully renegotiated.

The station rose to the challenge of reporting 11 September and its aftermath. Simon Mayo's new afternoon slot introduced a new approach to politics coverage, Nicky Campbell mounted a special live simulcast with the BBC Asian Network to report on the effects of the Gujarat earthquake and Fi Glover increased the late night audience. Her fresh approach included broadcasting an entire programme on British race relations from a Cleckheaton curry house.

Documentaries are an increasing part of Five Live's schedules. *My Sporting Life*, presented by Denise Lewis, examined sport as an agent of social cohesion while *73 Million to One* raised serious doubts about the conviction of solicitor Sally Clarke for the murder of her two children.



Above: Sue MacGregor (left) who retired from Radio 4's *Today* programme after 18 years, shares her *Desert Island Discs* with Sue Lawley.

Left: Chris Watson taking soundings on Radio 4's innovative *Dawn Chorus Day*.

Sports Extra!

The BBC launched its first new digital radio station, BBC Five Live Sports Extra, offering increased choice for sports fans



England defeat India, February 2002



Simon Mayo joined Radio Five Live last May to present a new weekday afternoon show.

Digital radio

The first two of the BBC's new digital radio services approved by the Secretary of State last September are now on air. BBC Five Live Sports Extra launched on 2 February with coverage of Manchester United against Sunderland and will provide licence payers with greater value from the rights held by the BBC.

One month later 6 Music took to the air with a menu of classic live recordings from the BBC's archives mixed with favourites from the 70s, 80s and 90s and a distinctive playlist of iconic artists brought to the airwaves by presenters who are knowledgeable and passionate about music.

The three remaining services will be launched by the end of 2002. 1Xtra, a sister station to Radio 1, will provide the best in contemporary black music. Network Z (working title) will offer a mix of entertainment, comedy, the best in radio drama and readings and dedicated children's programmes. The UK-wide BBC Asian Network will build on the foundations laid by the existing regional AM service to examine life in Britain today and across the world from a distinctively Asian perspective. All the BBC's digital services are available on digital radio, digital satellite television and via the internet (rights permitting). Most are also available to digital cable subscribers. BBC radio will extend digital transmission coverage from 60% to 85% of the UK population by early 2004 and the supply of affordable digital radio sets, a critical driver for growth, is at last in prospect.



Early riser – Victoria Derbyshire, who co-presents Five Live's *Breakfast* programme with Julian Worricker.



Above: Phill Jupitus, the first voice on new digital radio service 6 Music.

Review of services: Nations & Regions

New programmes, more localised services and a stronger relationship with communities in many parts of the UK have been achieved in the past year as a result of the BBC's biggest-ever injection of new resources into the Nations and Regions.



Above: Farewell to Hector in BBC Scotland's *Monarch of the Glen*.

Right: Award-winning presenter Tam Cowan takes to his taxi for BBC Scotland.

A £50million investment, to be completed in 2002/2003, has created new television entertainment, comedy, drama and consumer strands in Scotland, Wales and Northern Ireland and enabled us to increase the localness of television news, radio services and especially the BBC's online presence across England.

In parallel, the Nations have also contributed more television and radio programmes to the BBC's networks, with expenditure rising from £64million to £78million in the past year. BBC One highlights included *Monarch of the Glen*, *Two Thousand Acres of Sky*, *Rockface* and *Film 2002* from BBC Scotland, *Score* from BBC Wales and *Messiah* and *Patrick Kielty Live* from BBC Northern Ireland. On BBC Two they included BBC Wales's *Tales from Pleasure Beach* and *Lifters* and BBC Northern Ireland's *As the Beast Sleeps* with its powerful and fresh perspective on post-ceasefire Belfast.

Overall BBC performance improved in many areas. BBC One outperformed ITV in Scotland for the first time ever, remained well ahead of HTV in Wales, and rose to within four points of UTV, ITV's most successful local company, in Northern Ireland. Audiences have also improved in the Midlands and North of England.

BBC regional television news has continued to be the choice of most viewers at all points of the day. The 6.30pm regional news remains the highest performing news slot anywhere on British television, with a 32% share across the year and makes a key contribution to BBC One's overall performance.

Local radio, together with the Nations' dedicated radio services, reached a record 10.9 million listeners a week in the first quarter of 2002. BBC Radio Cumbria was voted Sony Station of the Year in its category and BBC Radio Ulster won the News Coverage Award for its reporting of the Holy Cross school dispute. There were music Golds for BBC London 94.9's Charlie Gillett and BBC Three Counties Radio's Big George.



National interest

An extra £50million investment is creating new programmes and services across the UK



Sky High

Many of the BBC's buildings outside London have become seriously run down over recent years. Within a new commercial property framework designed to minimise costs to the licence payer, work began on 16 new multimedia developments during the past year. A further nine were completed, including Sheffield, Edinburgh and Tunbridge Wells. Norwich is nearing completion.

Scotland

Strengthening television comedy and entertainment for Scottish audiences has been the priority this year, alongside preparations for a new twice-weekly year-round Scottish soap to be launched this autumn. Successes have included the new quiz show *Caledonia MacBrains*, and comedy in *The Live Floor Show*. Tam Cowan won two Royal Television Society (RTS) Awards for programmes like the football-based comedy chat show *Offside*. In the *Tartan Shorts* series, which showcases new Scottish drama talent, *Cry for Bobo* won the RTS Regional Programme award.

It was an excellent year for *Reporting Scotland* which moved to dual presentation in the summer and increased its audience share to 29%, opening up a 4% lead over its rivals. The programme capped the year by winning the Prix Circom 2002 for Europe's best regional news programme.

BBC Radio Scotland enjoyed its best audiences for two years, reaching more than one million listeners a week and increasing its share of listening to over 10%. *The Lesley Riddoch Show*, a Sony Silver winner for the second year, *Good Morning Scotland* and Saturday afternoon sport were strong performers.

Overall approval of the BBC has risen in Scotland over the past year, though it remains below the UK average. Specific local approval measures are also lower. A 'connecting communities' strategy, including local internet portals, offering tailored news, information and interactivity to people in seven different Scottish regions, is being developed to improve the social and geographic reach of BBC services in all parts of Scotland.



Above: BBC Wales's network drama *Tales from Pleasure Beach* appealed to audiences around the UK.

Left: *The John Daly Show* (BBC One Northern Ireland) with guest Victoria Beckham.



Stephen Evans reports from New York for BBC Wales's *O Flaen dy Lygaid*.



Wales

Creating new programmes to appeal to viewers across Wales has been the key goal for BBC Wales in the past year. Successes on BBC One have included *The Bench*, a new high-volume drama set in a South Wales magistrates' court (which will now go out in daytime on the BBC One network), the family drama *Belonging* and strong factual series *X-Ray* and *Life Matters*.

At the same time, BBC 2W, the new digital 'zone' with an emphasis on Welsh leisure, arts and sport, has started to carve out a niche for itself with programmes as diverse as *Hot Houses*, a local property magazine, *History Hunters* and live Friday night rugby.

Wales Today maintained its dominant position by 12 share points across the year. BBC Radio Wales appointed a new editor and successfully introduced a livelier tone and style, broadening the station's appeal beyond its traditional older, predominantly South Wales heartland. Its reach has risen slightly, to 17.6%, but the station still needs to drive up listening hours. BBC Radio Cymru's weekly reach among Welsh speakers rose to 37%.

A pioneering project using new digital technology to enable people across Wales to tell their stories has met with great success in different Welsh communities during the year and five *Where I Live* sites, offering local internet services for different areas of Wales, are being developed.

Northern Ireland

BBC Two NI Digital, a new 'zone' of dedicated programmes, was established last November. New strands included *Fair Play*, *Sky High*, *Big Crash* and the entertainment review *First Stop*.

Give My Head Peace and *The John Daly Show* helped BBC One dominate Friday nights. Other successes included *The Children's*, *Country Practice* and *The Blitz*, a season marking the 60th anniversary of the major bombing raids on Belfast, which



BBC approval in the Nations and English Regions 2000 to 2002

		Mean score out of 10	
Scotland	2001/2002		6.5
	2000/2001		6.4
Wales	2001/2002		6.7
	2000/2001		6.6
Northern Ireland	2001/2002		6.6
	2000/2001		6.2
England total	2001/2002		6.8
	2000/2001		6.6
South	2001/2002		6.9
	2000/2001		6.7
Midlands	2001/2002		6.9
	2000/2001		6.6
North	2001/2002		6.6
	2000/2001		6.4

Source: Pan BBC tracking study.

Top: Ken Stott as DCI Metcalfe in BBC Northern Ireland's psychological thriller *Messiah*, for BBC One.

Above: The cast of BBC Wales's new drama series, *The Bench*, set in a South Wales magistrates' court.

Where I Live

Local BBC websites already cover 37 cities and areas of England, with more on the way



culminated in a nostalgic concert that revived the wartime spirit.

The higher profile of local entertainment and factual programming contributed to a sharp increase in approval of the role the BBC plays in the local community. It has been a record-breaking year for BBC Radio Ulster/BBC Radio Foyle, which achieved a weekly reach of 40% for the past nine months.

BBC Northern Ireland's online site consistently gained over two million page impressions a month. Further web initiatives include linking people and their stories in new ways to draw out the common threads between and within communities under the *Sense of Place* umbrella.

English Regions

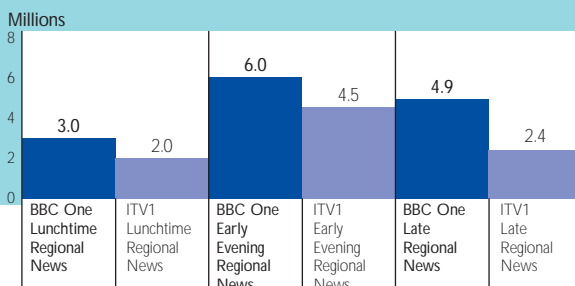
A long-cherished goal was achieved last September with the creation of dedicated television, radio and online services for the capital, all under the new BBC London brand, together with a separate South East region based in Tunbridge Wells. Another was realised in January with the launch of regional news for digital satellite viewers, using new interactive technology.

Increasing the localness and relevance of television, radio and online services has been the year's major objective. New services have been introduced for *Look North* viewers in East Yorkshire and Lincolnshire and for *Spotlight* viewers in the Channel Islands. BBC Radio Berkshire has been fully separated from BBC Radio Oxfordshire and split broadcasting developed to reach specific towns and communities such as Swindon, Milton Keynes and Peterborough.

Local online received unprecedented investment, with a further 22 *Where I Live* sites going live during the past year, bringing the total to 37. London, Nottingham and Manchester were outstanding performers. Seven more sites will follow in 2002/2003, focused on areas least well-served by local radio.



Average audience for regional news bulletins Calendar 2001*



Source: BARB 2001 (*Q1 2002 programme data is not yet available under the new BARB system).



Top: Emily Maitlis presents the new BBC London News.

Above: Producer Caz Graham reporting for Sony Station of the Year, BBC Radio Cumbria.

Left: One of over 250 Jam Cam sites on BBCi.

Review of services: News

One news story dominated last year: the attack on the World Trade Centre, the collapse of the Twin Towers and the subsequent conflict in Afghanistan. On 11 September, BBC News was the nation's first choice as people sought to learn what had happened and to make sense of it all.



Above: Half-mast – an American flag in the ruins of the World Trade Centre.

Right: BBC Political Editor Andrew Marr reports from outside Number 10.

The BBC's public mission has always rested heavily on the defining quality of its journalism and this was evident, not just in the immediate aftermath of the attack on America, but also in the days and weeks that followed, across all our news output.

BBC News reacted quickly on all fronts, producing 33 extra hours of news programming across the five radio networks, more than 40 hours of live rolling news for BBC World Service and an extra 14 hours of news on BBC One and BBC Two. This was supplemented with strong current affairs including *The World's Most Wanted*, *One Day of Terror* for *Correspondent* on BBC Two and a special *Analysis* for BBC Radio 4.

Levels of audience interaction also reached an all-time high, with 15 million page impressions recorded to the BBCi News website on 11 September and a record 23 million the following day. Within five days 75,000 people had emailed their thoughts and reactions as the world struggled to understand the most shocking images for a generation. Surveys showed that a clear majority of the audience considered the BBC's news coverage on all media to have been the best.

BBC News 24 came of age as demand for the latest news reached record levels. Significantly, the audience then stayed at a higher level, with an average weekly reach of 3.3 million in March 2002, a million higher than a year before and only 0.2 million behind Sky News. BBC News 24's reach, however, including overnight simulcasting on BBC One, remains far higher at seven million viewers a week. The enhancements in production quality achieved in the past year will be taken further in 2002/2003.

The BBC's General Election coverage in June 2001 was again the public's first choice, with over 18 million people tuning to the results between 10pm on Thursday night and lunchtime the following day – more than double ITV's audience. But the election clearly failed to engage many of the public, especially



Attack on America

On 11 September, 35 million people in the UK tuned to BBC News on TV, radio and online



Far left: BBC World Affairs Editor John Simpson prepares to enter Afghanistan undercover, dressed in a traditional female burka.

Left: Orla Guerin reporting from Israel.

younger voters, and the BBC has embarked on a major review of its political coverage with a view to modernising its output without diminishing its commitment to Parliamentary reporting. As Political Editor, Andrew Marr has already played a major role in making BBC coverage more accessible – an achievement honoured by major awards from both BAFTA and the Royal Television Society in the past year.

High points in the past year's current affairs output have included a strong debut by *Kenyon Confronts*, which was the highest-performing television current affairs strand last year with an average of 4.2 million viewers. Notable *Panoramas* included *Jeffrey Archer: A Life of Lies* and John Simpson's *Afghanistan: The Dark Ages*, both attracting over five million viewers. Audiences for some programmes in the series' new Sunday evening slot, however, remained disappointing. On BBC Two *Smallpox 2002: Silent Weapon* achieved high impact and 3.4 million viewers, and on BBC Radio 4 *File on 4*'s exposé of the Independent Learning Account led to a change in government policy.

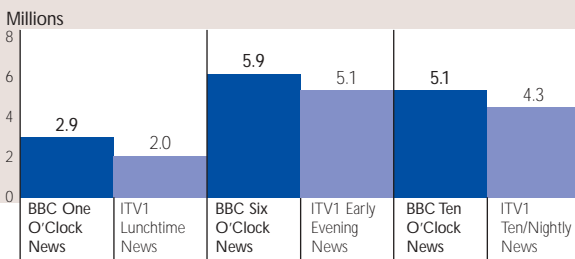
Question Time travelled much more widely across the country, broadening the profile of its live audiences and panellists and increasing its ratings, especially among younger viewers but errors were made in the tone and timing of the edition of 13 September when the US Ambassador was a panellist. The Oryx libel case was another cause of concern (see page 47).

The *Ten O'Clock News* continued to perform strongly in its new slot, with 5.1 million viewers over the year, and audiences for both *Breakfast News* and the *One O'Clock News* rose. The *Six O'Clock News* fell back slightly after *Home and Away* moved to a new slot on Channel 5, but it remained well ahead of ITV's early evening news.

Business coverage was strengthened across the output, led by the new Business and Economics editors, Jeff Randall and Evan Davis. New posts were created to improve reporting from the North of England, including a social affairs correspondent, a politics correspondent, a BBC Radio 1 reporter and a BBC Radio 4 news post.

As the BBC rolls out its new digital TV and radio channels, distinctive news services are being provided by BBC News, tailored to the interests and needs of their specific audiences. These are already on air for BBC Four and 6 Music, with 1Xtra to follow later in the year, with its own 15-strong news team. A closer relationship is being developed to support the BBC Asian Network's UK-wide journalism as the station prepares to go national.

Average audience for network news bulletins Calendar 2001*



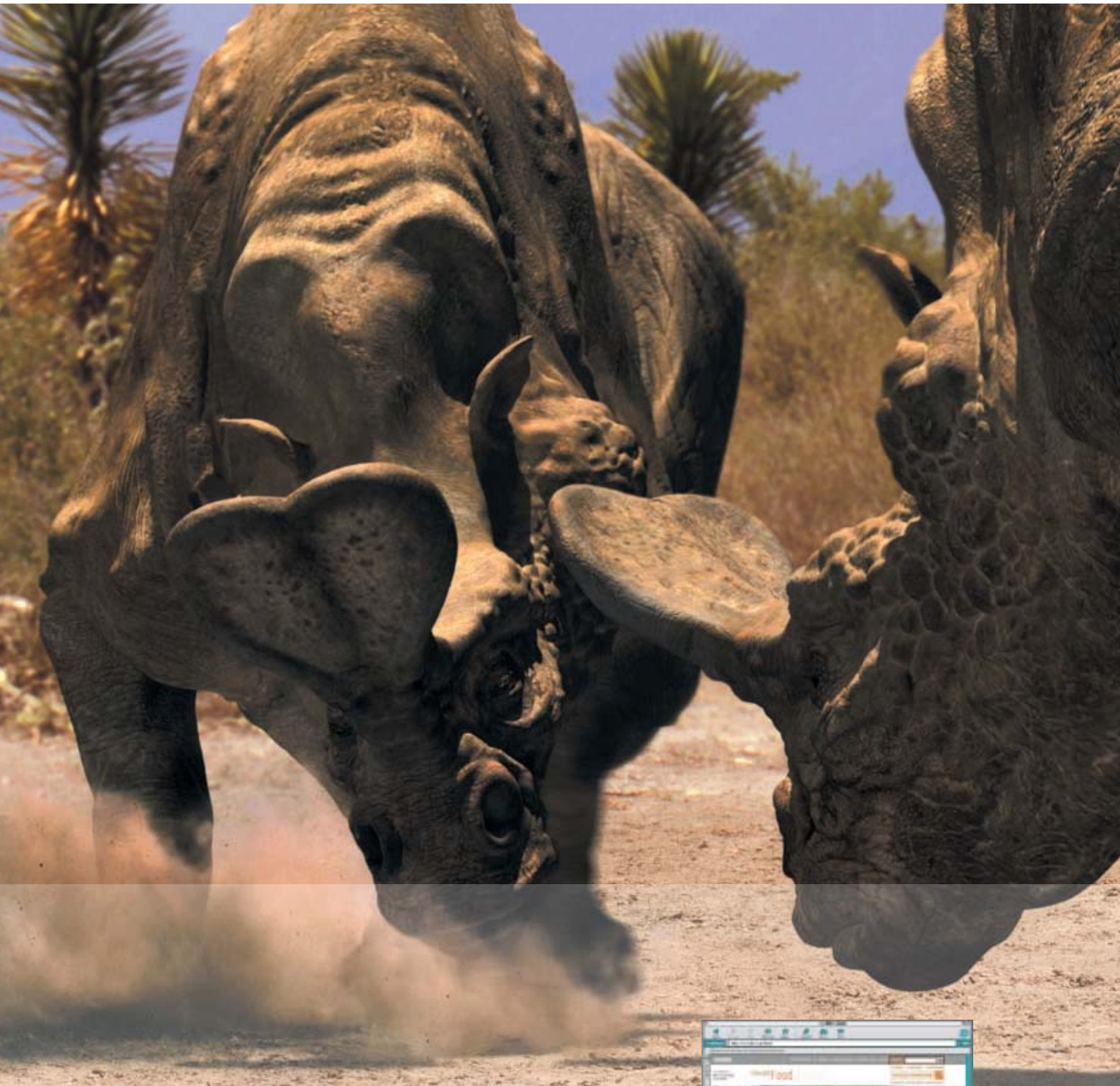
Source: BARB 2001 (* Q1 2002 programme data is not yet available under the new BARB system).



Jeremy Paxman on the set of BBC One's General Election night programme, *Vote 2001*.

Review of services: **New Media**

The past year has seen major advances for BBC New Media, with the creation of BBCi bringing together previously separate services, the launch of ground-breaking interactive digital television and substantial growth in traffic to the BBCi website.



Above: *Walking with Beasts* caught viewers' imagination and extended their involvement through enhanced interactivity.

Right: Kitchen tips from BBCi.

Logging on

The BBCi website is the most visited content site in Europe



BBCi on the web

The BBC's web strategy aims to foster a range of distinct digital communities, providing them with information and interaction. 250 message boards are now live on the site, attracting 250,000 messages a month, and live online chats are providing unique access to celebrities and experts. The local dimension of BBCi has also expanded during the past year with websites for Scotland, Wales and Northern Ireland as well as 37 *Where I Live* sites now live across England.

The sites created for major BBC programmes such as *Walking with Beasts*, *Living with Cancer* and *Blood of the Vikings* fulfil two aims. They provide added value to audiences watching or listening to major programmes or series and also strengthen the online content that is available in key categories such as learning, health, science and history.

The whole BBCi website was radically remodelled in November 2001, making it easier to use and providing for the first time a consistent look, common navigation principles and search facilities across all pages and sections of the site.

Over the past year traffic to the BBC's website has continued to grow, with reach among internet users rising from 28.7% to 34% and monthly page impressions (PIs) from 322 million in March 2001 to 549 million in March 2002.

BBCi's achievements were widely recognised by both the new media press and by the industry during 2001/2002. Nine major awards were won, including two BAFTAs, a Promax, an EMMA, a Sports Industry Award and the Prix Europa (for the BBC Radio 1 website).

BBCi on television

BBCi aims to create high-quality, innovative interactive services across all digital television platforms. These have already been used by over eight million viewers. The first major event,

Wimbledon Interactive last June, offered viewers a choice of five different live matches and was watched by 4.5 million viewers. It was followed by other major sports events: the Open Golf from Royal Lytham, the Winter Olympics from Salt Lake City and the FA Cup.

BBC Children in Need broke new ground this year when interactive television enabled viewers to make donations from their armchairs with a click of the remote control, raising over £500,000 in this way. Other entertainment innovations have included *Top of the Pops*, *The Saturday Show* and *Antiques Roadshow*, all offering users new kinds of choice and interactivity.

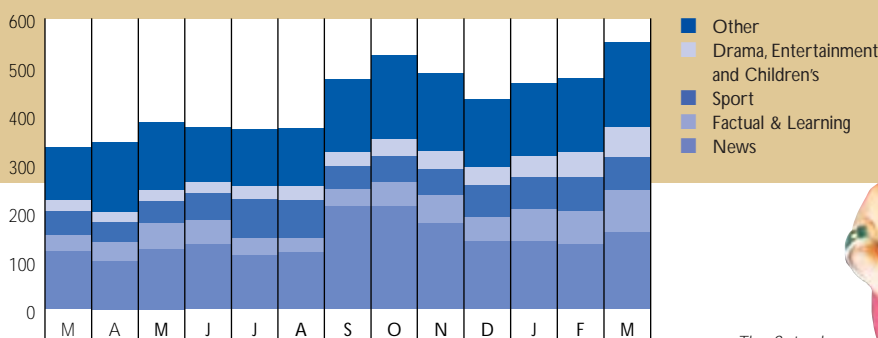
In January 2002 BBCi enabled the English Regions to introduce an interactive application offering digital satellite viewers a choice of five different regional news programmes. The six remaining services will be added before the end of 2002.

Over 100 different interactive applications have been launched in the course of the year. BBC News Interactive provides multi-streams of the day's major news stories and was watched by three million viewers in its first six weeks on air. Other round-the-clock services include *CBeebies* games and information and education offerings such as travelcams and *GCSE Bitesize* on digital cable platforms.

New technologies

BBC New Media's search for innovative ways of using new technology never stops. A BBC partnership involving the Factual & Learning division and the BBC's Yorkshire region is developing pioneering community and learning services for people in the Hull area served by a local broadband infrastructure as yet unique in the UK. During the past year BBC broadband content has also been provided to Freeserve, Telewest and AOL subscribers (ensuring that it is only distributed to licence payers in this country) and a new WAP service supplying news, sport and listings to mobile phone users was launched.

Monthly BBCi website page impressions March 2001 to March 2002 (millions)



Source: BBC server logs. Only divisions with over 60 million page impressions at March 2002 are shown.

* Other includes Radio and Music, World Service, Nations and Regions and Homepage.



The Saturday Show goes interactive with Nihal.

Review of services: Learning

The BBC's educational role sits at the heart of its public service remit. The primary challenge is to develop that learning dimension across all BBC output, harnessing new technologies as well as traditional ones, and creating popular and effective forms of learning for 21st century Britain.



Above and right: *How to Build a Human* told the extraordinary story of how we are made and the way genes and hormones shape us from the cradle to the grave.

Wising up

10,000 people have gained NVOs after completing the BBC's *Becoming Webwise* online course



Education is no longer regarded by the BBC as a discrete area of activity pursued by a single department. Instead, the new Factual & Learning division works with production divisions across the BBC to build learning possibilities into their activities from the earliest planning stages.

Interactive learning is at the core of this approach – using the power of television and radio to bring more people into learning. Over the past year viewers' and listeners' interest has been engaged by some of the BBC's best and most popular programmes, then extended through the web or interactive television. Users discover more about the subject, developing practical skills or even taking follow-up courses offered by academic institutions. This offers new ways of learning, at users' own pace, following whatever direction they themselves choose, that are impossible with conventional broadcasting.

Landmark factual programmes such as *The Blue Planet*, *A History of Britain*, *Walking with Beasts* and *How to Build a Human* have successfully adopted this approach, between them encouraging viewers to travel further into areas of natural history, science or history.

Similarly, *How to be a Gardener*, run in partnership with the Royal Horticultural Society, achieved 900,000 page impressions in a single week during its transmission – three times the usual traffic to the BBC's gardening website. *OneMusic*, developed with BBC Radio 1, offers aspiring young musicians a one-stop shop for comprehensive information on the business of music making in the UK today – from learning to record a demo to devising a business plan for touring a band.

Community-based learning projects such as *Nature on Snowdon*, the interactive local history initiative in Merseyside, and the BBC's major broadband project in Hull have demonstrated the potential to develop the local learning

dimension. So too have the BBC's first Open Centres, which offer both formal and informal learning opportunities through new technology, supported by local education authority tutors. The first centre, in Blackburn, attracted 2,000 registered learners in its first year, more than a quarter of them unemployed people.

Ten thousand people have gained an NVO accreditation in internet literacy after completing the BBC's *Becoming Webwise* online course, developed in partnership with further education colleges. The site also achieved up to 850,000 page impressions (PIs) a week. *Skillswise*, launched during the year, allowed people to improve their literacy and numeracy skills online, supporting the national drive to raise standards.

The BBC took eight out of 11 RTS Educational Awards. It also maintained its output for schools across all media. The *GCSE Bitesize* and *Standard Grade Bitesize* online revision sites continued to demonstrate their value, attracting a record number of hits, 4.3 million in a single week in the run up to the 2001 summer exam season.

In May 2002 the BBC applied to the Secretary of State for Culture, Media and Sport for approval to develop and launch a 'digital curriculum' service. This would be a new public service from the BBC, allowing it to play a significant role, along with others in the public and private sectors, in the development of the world's first comprehensive 'Curriculum Online', announced by the Government in December 2001. The service would be available via the internet, providing teachers, children and parents across the UK with a valuable new resource and encouraging the uptake of e-learning. The BBC regards the proposed digital curriculum as one of the most important elements of its education offering and, if the service is approved, will work with teachers and others in the industry to ensure its successful implementation.



Left and above: *The Blue Planet* – filmmakers travelled the world to capture the life of the oceans.



Alan Titchmarsh's *How to be a Gardener* attracted three times the usual traffic to BBC's gardening website.

Review of services: BBC World Service

At times of world conflict the BBC World Service, with its core values of accuracy, trust and impartiality, has often found itself playing a crucial role for local people caught up in events. Nowhere in recent times has this been more true than in Afghanistan in the past year.



Above: William Reeve (right) and Rageh Omaar in the BBC's Kabul office.

Right: Taliban officials listening to the BBC World Service.



Global standing

BBC World Service won the top Sony 2001 Award for its coverage of 11 September and Afghanistan



Under Taleban rule, with no television and no credible national newspapers, radio was the main source of news and information. Listening to the BBC's Pashto and Persian services has been a way of life in Afghanistan, and the war-torn population tuned in their millions to what is a unique lifeline of accurate and independent information in their ravaged country.

Broadcasts on these key language services and in Arabic, Urdu and English were expanded rapidly after 11 September. Short-wave transmission power was boosted and an additional medium-wave transmitter hired in the region to improve distribution. The Foreign and Commonwealth Office provided an additional £2.8million to support the immediate response.

Within minutes of the first attack on the World Trade Centre, the World Service English language service began the longest continuous broadcast in its history, lasting more than 40 hours. A special edition of its interactive phone-in programme, *Talking Point*, generated 30,000 emails from across the world.

But the story does not end there. Through the work of the World Service Trust, the BBC has played a central role in the reconstruction of the media in Afghanistan, including training journalists, providing technology support and helping equip new radio studios. More than 150 journalists have already received training from a team led by William Reeve, previously the BBC correspondent in Kabul.

In recognition of its response to 11 September, the BBC World Service won the top Sony Radio Academy 2001 Award, with special praise for its outstanding coverage in Afghanistan. Baqer Moin, Head of the Persian and Pashto services, also received the Commonwealth Broadcasting Association's most prestigious honour, the Elizabeth R Award, in recognition of the extraordinary contribution made by his teams throughout the conflict.

One of the BBC World Service's smallest language teams, the

Nepali section, responded to the dramatic murder of almost the entire Nepalese royal family in Kathmandu by doubling its output and working round the clock as official government and palace sources provided scant information on the shootings. Major coverage of the Zimbabwe presidential election was achieved despite the fierce reporting restrictions imposed on the BBC.

The overall global radio audience for the BBC World Service fell by three million in the past year, from the record high of 2001, to 150 million weekly listeners. These figures reflect a steep decline in radio consumption in India, where fewer than one in four people now listen to any radio. However, the global audience figure does not take account of high listening in areas like Afghanistan and Somalia, where it is not possible at present to carry out comprehensive, reliable audience surveys.

Nearly 30% of listeners, seven million more than a year ago, now access the BBC World Service through the growing network of nearly 2,000 local broadcasting station partners around the world. Listeners to FM re-broadcasts in the USA rose by 25% to their highest level ever, 2.9 million, and in Australia they doubled to two million. Both areas saw direct short-wave transmissions discontinued or reduced last year in response to audiences' changing listening habits.

The BBC World Service's multilingual website achieved dramatic year-on-year growth, with usage rising by 92% over the year, and was judged the world's best radio website in the 2001 Webby Awards.

BBC Monitoring, based at Caversham, responded to the particularly high demand for fast and accurate global media monitoring in the past year. It provided key source material in the wake of 11 September for stakeholders including the Foreign Office, the Cabinet Office, the Ministry of Defence and the BBC. Customer satisfaction ratings are at their highest level ever.

BBC World Service/World News growth in internet traffic

	Million page impressions
March 2002	75.3
March 2001	39.3

Source: BBC Server logs.

Right: BBC World Service provided extensive coverage of the Africa Cup of Nations.

Far right: The Nepali section doubled its output in response to the murder of members of the Nepalese royal family.



Putting audiences first

The BBC's licence fee funding gives it a unique set of responsibilities. Chief among them is to put the public interest first, in all that it does. This requires us to be more accountable than other broadcasters to the audiences that pay for BBC programmes and services.



Modernising BBC accountability

The governance changes announced in February 2002 emphasise the Governors' responsibility for ensuring that the BBC serves the public interest. To do this they must be proactive in seeking the views of licence payers, responsive to their needs and concerns, and open in accounting to them for what the BBC does – especially as individual Governors take responsibility for oversight of particular objectives.

From September 2002, a new public involvement programme will be introduced, based on BBC objectives and *BBC Statements of Programme Policy* and designed to make the reporting of key decisions, plans and performance clear to licence payers.

The BBC's perceived Westminster and London bias, in terms of where and to whom it is accountable, will also be addressed by strengthening the connection between the Governors and the BBC's Broadcasting Councils in Scotland, Wales and Northern Ireland and the Regional Advisory Councils across England, drawing them more closely into the monitoring of objectives.

Statements of Programme Policy

The Government now requires each broadcaster with public service obligations to produce annual *Statements of Programme Policy* showing how it will deliver its obligations. Over the year the BBC has undertaken extensive research with typical audience groups for each of its main services. The BBC's first set of *Statements* will be published with this *Annual Report*, reflecting this feedback and, over the year, we will consult audiences on the objectives contained within them.

Accountability to Government, Parliaments and Assemblies

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 has taken up the BBC's offer to appear before them to discuss it shortly after publication. Regular briefings are also provided to Parliamentarians on a wide range of issues.

Broadcasting 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. The BBC takes active steps, nonetheless, to keep members of these elected institutions informed about its policy, its services and future strategy.

Above, right and far right: Members of the public at BBC workshops.



Drawing the Line

We consulted the public on issues of language, taste and violence



EastEnders

Listening to audiences

Putting the public first

When Gavyn Davies became Chairman in October 2001, he made it clear that improving the BBC's direct accountability to the public would be one of his priorities. During his initial months as Chairman he met members of the public in a programme of over 30 events. These ranged from public meetings, focus group consultations with minority audiences, online chats and on-air debates to going out with a television detector van to get first hand experience of audience attitudes to paying for the BBC. What he learned contributed to the continuing modernisation of the BBC's accountability.

Drawing the Line

The Governors are responsible for maintaining editorial standards and for ensuring an appropriate response to complaints. Research indicates that people expect more of the BBC than they do of other broadcasters and disappointment is greater when it fails to measure up. But, while there are clear guidelines on issues of fairness, impartiality and privacy, guidance on other standards is more subjective. Between November 2001 and April 2002 a series of workshops was held under the title *Drawing the Line*. These gave Governors an opportunity to explore directly with audiences what they find acceptable in these areas.

The events were held in locations around the UK (Southampton, Leeds, Leicester and Edinburgh), and involved a range of people from different demographic groups, independently recruited though an audience research company. In small workshop sessions they viewed and discussed extracts from BBC television programmes chosen to highlight areas of possible concern with regard to bad language, sex and nudity, violence and the presentation of news issues. Predictably, cultural background affected attitudes to programmes and there was some difference in outlook between generations, but overall there was a surprising degree of consensus on key issues.

There was a unanimous view that the BBC should not transmit programmes unsuitable for family audiences before the 9pm watershed. The move of BBC news from 9pm to 10pm meant, however, that this natural punctuation of the evening had been lost – with programmes which many considered to be unsuitable for family viewing now starting at 8.30pm. A later watershed on weekends was proposed, as family viewing habits tended to be different on non-school days.

Despite the shocking nature of some of the material they viewed, there was a consensus among audience groups that news coverage should not be sanitised and that honest reporting was the most important factor; moreover shock could sometimes be valuable in raising awareness. Nonetheless, there was concern about a perceived trend towards gratuitous scenes of violence, and certain reports were felt to be intrusive and voyeuristic. 'Live' reporting on continuous news services was identified as a particular issue because less editorial control was possible.

People attached considerable importance to warning introductions into programmes (and within programmes in the case of news). They were also particularly concerned with what was suitable for younger viewers, and asked for extra vigilance with regard to the content of programmes aimed at a young audience such as *Top of the Pops*. However, contrary to the indications of some current research, people felt that the language and behaviour in *EastEnders* were actually milder than they would be in real life and welcomed this as appropriate to the time of transmission.

Feedback from this exercise, together with audience research, regular editorial policy reports, and feedback from the BBC's Customer Services operations, will inform Governors' oversight of editorial policy and complaints handling, and the judgement of the Programme Complaints Committee.



Believe it or Not

Believe it or Not was the title of a Governors' seminar held in November 2001 which examined the changing spiritual and moral landscape of Britain and asked what 'religious broadcasting' should be and how it could best be delivered to a diverse and complex audience. The audience was recruited to provide a cross-section of radio, television and online users, including searchers and non-believers as well as people from the major faiths. Their concerns focused on three themes:

- a desire to be told more about their own and other religions through television and radio – apart from personal religious belief, this was a matter of interest to them as citizens
- a desire for quality – not just more programmes but ones that count and show care, depth and integrity
- a desire for programmes to recognise and reflect the complexity within religions and ways of expressing faith

In response, the Director-General said the BBC must be brave in reflecting society's changes and emphasised the BBC's commitment to making quality programmes which appealed to a wide audience and to 'naturalising' non-Christian faiths. The seminar dovetailed with the process of strategy development being led by the BBC's new Head of Religion and Ethics, giving Governors, commissioners and programme makers a chance, before the strategy is set in stone, to explore these issues with audiences.

The BBC and interactivity

The BBC has made a significant investment in developing interactive services. The aim of this seminar, held in March 2002, was to provide an opportunity for the Governors to get to grips with the latest research on interactive television (iTV), what it means for audiences, and what it means for the BBC. Practical demonstrations provided an opportunity for hands-on experience of how the BBC is developing interactive news and information services on all digital television platforms.

The seminar provided an opportunity to explore a number of critical issues, including the maintenance of BBC editorial standards as user-generated content becomes more prevalent; value for money; and the challenge of developing an iTV strategy when services differ so much from platform to platform.

Reports from BBC advisory bodies

Broadcasting Councils and the English National Forum

On behalf of licence payers, a network of more than 500 people around the UK advises the Governors on programmes and services. Broadcasting Councils for Scotland, Wales and Northern Ireland represent the interests of people in the Nations. In England, Regional Advisory Councils advise the Governors through the English National Forum (ENF). They are informed, in turn, by a network of Local Advisory Councils.

Over the past year, the Governors consulted them on a range of strategic issues through seminars on broadcasting regulation and the modernisation of the BBC's governance and accountability and on recent trends in national and regional identity around the UK.

The Councils' most important task is to advise the Governors on programme and service objectives for the Nations and English Regions and to monitor, through a process of regular review, the extent to which the BBC delivers them.

This year saw the delivery of the first new programmes and services resulting from increased investment in the BBC's Nations and Regions. The Broadcasting Councils welcomed these warmly but stressed the importance of monitoring audience reaction and raising awareness of the new output. The ENF particularly welcomed additional investment in more BBC Open Centres and Mobile Zones (see page 48), in local radio and in extending regional television to more local audiences.

Audiences asked for extra vigilance in the content of programmes for young people.



Speaking up

More than 500 people around the UK advise the BBC Governors on programmes and services



All the Councils emphasised the need to build closer relationships across the full range of audiences and communities, paying particular attention to underserved social groups and young people. Appropriate diversity in on-air portrayal also continued to be an issue, as did the need to build approval of the BBC around the UK by delivering programmes and schedules which met the needs of local audiences. Modernising accountability so as to achieve the BBC's published governance and accountability reforms will be a priority in the coming year.

Continuing to build production by Scotland, Wales and Northern Ireland for the UK networks was also identified as a significant priority by the Broadcasting Councils. The ENF argued that the small amount of network output made in the English Regions and lack of network exposure for regional programmes was at odds with the BBC's stated objective to foster talent across the programme-making spectrum.

Among more specific issues, the Broadcasting Council for Wales recommended a review of BBC Wales's Welsh-language output, with a view to providing better value for Welsh licence payers, and stressed the need to raise awareness of BBC 2W and of BBC Radio Cymru and BBC Radio Wales as distinct services.

The Broadcasting Council for Scotland drew attention to the need for more appropriate measures of approval for the BBC in Scotland. The Council also recommended building on the strong audience performance of BBC news by refreshing and revitalising editorial content across radio and television, and flagged up the need to continue to extend the reach of BBC Radio Scotland.

The Broadcasting Council for Northern Ireland emphasised the importance of delivering high-quality sports programming, in line with a recent review of sports strategy. They drew attention, too, to the need to refresh the output of BBC Radio Ulster/Foyle while still maintaining their traditional high-quality programming.

The ENF highlighted the role of the BBC in fostering political interest and debate in the critical areas of racial intolerance, social integration and poverty. The scheduling of regional political programmes remained a significant issue.

The views of the Broadcasting Councils and the ENF are published in more detail in the Annual Reviews of BBC Scotland, Wales, Northern Ireland and the English Regions.

World Service Consultative Group

The World Service Consultative Group, which provides the Governors with independent external advice on the range and quality of BBC World Service output, reviewed output in English, Arabic, Bengali, Hindi, Urdu, Persian and Pashto during 2001/2002. This selection followed the Committee's usual three-year cycle but was also informed by the aftermath of 11 September and the conflict in Afghanistan.

The international news situation for the period of the assessment was exceptional. Independent assessors' reports provided striking evidence of the BBC World Service's unique positioning, authority and trustworthiness in such circumstances, and the value and impact of its broadcasts.

The BBC World Service English website also attracted high scores from assessors, particularly for its authority and accuracy. Scores for ease of use and navigability had improved on the previous year.

The Consultative Group identified a number of areas where the assessors' reports indicated room for improvement:

- making the style of the BBC World Service Arabic radio output more accessible and appealing to its audience
- reviewing the BBC World Service output strategy for India in the light of growing competition from television



Religious broadcasting remains central to the BBC's public service role. Thousands attended the 40th anniversary concert for *Songs of Praise*, held at London's Royal Albert Hall.

Putting audiences first

- thoroughly reviewing the BBC World Service output in Hindi to better respond to audience needs and expectations
- improving audibility across the Indian sub-continent by seeking to persuade Indian broadcasting authorities to make FM outlets available
- exploring the feasibility of separating broadcasts to Iran, Afghanistan and Tajikistan
- reviewing the balance of content in Persian broadcasts, and on the BBC World Service Persian website, to ensure that they are adequately covering and interpreting the issues of importance to all the political communities in the region

It was clear that poor audibility and unattractive presentation style discouraged people from listening, even if they had a high opinion of the content broadcast. The Consultative Group recommended the BBC World Service to give a high priority to addressing these issues across the full range of its output.

Central Religious Advisory Committee

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

The events of 11 September provided a powerful demonstration of the importance of religious broadcasting in enabling a shocked public to come together in prayer and grief. They also highlighted the role religious broadcasting needs to play in helping audiences make sense of their world, overcoming prejudice, breaking down stereotypes and promoting peace.

These were key themes for CRAC this year and members agreed with the views expressed at the Governors' seminar that more should be done to reflect non-Christian faiths. They pointed out, though, how little religious output of any persuasion was on offer. In their view, the amount of worship programmes, in particular, was too small and they feared that a shift to a more educational approach would result in the devotional thrust at the heart of religion being lost.

CRAC highlighted some very strong programming on radio and on television. *Son of God* earned particular praise for its open-minded approach, scholarship and intelligence, coupled with sensitivity to issues of faith. It was felt to be a good example of the quality expected of the BBC. *Islam UK* – which reflected the experience of ordinary Muslims in the UK – was welcomed for the way in which it demystified Islam.

The new BBC Religion website was praised for its user-friendly content and links to other BBC sites – particularly History, Education and BBC World Service. More disappointing was the continuing lack of mention of religion on the BBCi homepage.

CRAC's most significant programme criticisms concerned portrayal. The lack of accuracy in representing Buddhism was a recurring theme. Other instances included the inaccurate representation of Catholic priests in *Waking the Dead* and what was felt to be stereotypical and old fashioned portrayal of Welsh people in *Songs of Praise* on St David's Day 2002. It was observed, too, that coverage following events of 11 September did not include the situation of the Sikh community, which had suffered from being wrongly confused with Muslims, and that future plans did not include any reflection of Sikh interests despite the size of the Sikh community in the UK.

Handling complaints

The Governors ensure that the BBC has a proper system for handling programme complaints.

Complaints about policy, schedule changes, technical standards or questions of personal preference are forwarded to appropriate areas of the BBC for attention. Overall, the total number of complaints received at BBC Information Centres in Belfast, Glasgow and Bangor, by the Programme Complaints Unit (PCU) and by senior management in 2001/2002 was 95,638. Complaints represented 9.6% of the total number of contacts received by BBC Information this year, compared to 7.3% last year.



Left: *One Night with Robbie Williams* illustrated the challenge of getting the tone right for everyone.

Right: BBC English Regions Governor Ranjit Sondhi – a member of the Programme Complaints Committee – joins the debate at an audience workshop.



On call

The BBC handled over one million information requests last year – by phone, letter and email



The PCU deals with complaints which give reason to believe that something broadcast by the BBC's licence funded services may have fallen seriously short of the standards set out in the *BBC Producers' Guidelines*. Its job is to investigate complaints impartially and to recommend appropriate redress.

In 2001/2002, the PCU dealt with 794 complaints concerning 515 items, of which 231 were wholly or partly upheld – 29% of the total. Poor taste was the most common topic of complaint (33%). The findings on upheld complaints are published in a quarterly bulletin, together with a note of the action taken in each case. Sixty-five per cent of complaints were answered within the target times (20 days or 35 days for more complex cases), compared with 62% in 2000/2001.

A sub-committee of the Governors, the Programme Complaints Committee, hears appeals against the decisions of the PCU. During the year, the Committee received 24 requests for appeal. Full consideration was given to all of these. Two appeals were upheld in part and three in full.

The PCU also deals with the Broadcasting Standards Commission (BSC) on complaints about BBC programmes. In the year to 31 March 2002, the BBC received 36 notifications of fairness and privacy complaints from the BSC. Eleven were wholly or partly upheld. The Commission notified the BBC of 1,746 complaints about standards, and complaints were partly or wholly upheld about 14 broadcast items or series. The BBC complied with all directions given under the Commission's statutory powers.

Upholding editorial standards

The Governors ensure that the BBC maintains high editorial standards, monitoring its compliance with the *BBC Producers' Guidelines* and with the *Code on Impartiality and Accuracy* included in them. Overall, they were satisfied that in 2001/2002 the BBC had met the standards expected of it, despite some

high-profile difficulties in the factual area, notably the controversy surrounding the *MacIntyre Undercover* fashion investigation and the libel action set in motion against the *Ten O'Clock News* by Oryx Natural Resources, over a story for which the BBC has apologised.

While not wishing to discourage the BBC from making waves through investigative journalism, the Board noted the challenge of risk taking and the need for programme makers to check material thoroughly and to be aware of their responsibilities to behave fairly and edit legitimately.

The BBC had risen to the challenge of the events of 11 September, keeping audiences informed and enabling debate. Being accurate, impartial and informative in the coverage of Islam was a priority. The one wrong call was the tone of *Question Time* on 13 September.

Judging expectations and getting tone right is increasingly challenging in a diverse society where there are 'audiences' rather than a single 'audience'. *One Night with Robbie Williams* illustrated this and respect for the watershed remains a particular challenge for drama.

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 unsolicited calls dealt with by the call centre this year was 781,501, down 10% on last year. 119,566 letters were handled this year and BBC Information received over 185,000 emails – a 40% increase over last year. Page impressions on the BBC Information website increased by over 50%.



Urfat Hussain in *They Think It's All Islam*, part of the BBC's *Islam UK* season which reflected the experience of ordinary Muslims in the UK.

The BBC in the community

As both a broadcaster and a responsible and ethical employer, the BBC engages directly in the life of the communities in which it operates. This involvement takes many different forms, some based on partnerships with other organisations, and all reflecting the social and environmental responsibility which the BBC sees as an essential part of its public service role.



Above: Encouraging access at the BBC's new Open Centre in Sheffield.

Right: The BBC National Orchestra of Wales' education and outreach programme takes live music into communities across Wales.

Far right: Media on the move: the BBC Lancashire Mobile Zone takes learning out into the community.

BBC Open Centres

BBC Open Centres aim to expand the scope of the BBC's relationship with local communities. The concept was launched in Blackburn last year and has now been extended to Sheffield, Merseyside and Wrexham, with Stoke, Hull, Brighton and three further Welsh centres to follow. Through partnerships with local education authorities and other bodies, each offers opportunities for local people, on a drop-in basis or through more formal courses, to learn about the media, acquire IT skills and become involved in community broadcasting.

A series of buses complements the building-based Open Centres. The buses take media facilities out to towns and villages, while also enabling the stations to involve people from all corners of their editorial area in their broadcasts. Piloted in Lancashire, these buses will operate in the areas covered by BBC Radio Derby, Newcastle, Cumbria, Lincolnshire and Cleveland. A similar project is also planned in rural mid-Wales with the establishment of a touring community studio.

Community involvement

The BBC's community involvement programme encourages active citizenship by staff so that the skills and talent which the public has paid for through the licence fee can be invested back into communities. Staff can identify volunteering opportunities from a regularly updated intranet site or can explore other avenues through their own contacts.

A team from BBC London recently helped clear old tyres, plastic bottles and other debris from part of the Lower Lea area, getting to know local people and helping improve the environment. BBC Radio Cumbria staff spent a day working with Eden Community Outdoors, converting a double-decker bus into a mobile youth club, and also helped restore Kirkby Stephen East station on the Settle-Carlisle line.



Raising millions

BBC Children in Need raised a record-breaking £25million for children across the UK in 2001



Musicians from the BBC National Orchestra of Wales have spent the past year on a voluntary community music-making project in Corwen in North Wales, culminating in a large-scale public concert and the release of a CD, and staff from Television Centre and Bush House in London have donated nearly 400 books to local hospitals, nurseries and schools.

A programme of media skills sessions has been organised in schools, colleges and community organisations in different parts of the UK. This included a series of workshops led by the Director-General at Regent's College in Leicester where the students, more than 90% of whom are from minority ethnic groups, were given a flavour of the opportunities that exist in broadcasting.

A mentoring project has also been established in several areas of the country, with youngsters attending workshops and working in small groups with staff from different disciplines to learn about the media at first hand.

Charitable appeals

A record-breaking performance by *BBC Children in Need* in 2001 – raising £25million to help disadvantaged children in all parts of the UK – highlighted another key aspect of the BBC's role in the community. Broadcast appeals give audiences the opportunity to donate to a wide range of charities, as well as helping charities themselves to raise awareness of their work.

The BBC Governors oversee the allocation of the regular weekly and monthly appeals on BBC Radio 4 and BBC One through the Appeals Advisory Committee (AAC), whose members they appoint.

The AAC also advises the Governors on policy issues and assists them in the scrutiny of specific fundraising projects such as *BBC Children in Need* and *Comic Relief*. In particular this year, they helped with plans for the *Sport Relief* appeal in July 2002,

looking at how the money would be distributed and ensuring that it provides an appropriate fit with other BBC appeals and fundraising projects.

Last year, the BBC carried appeals for 64 individual UK charities. The weekly *BBC Radio 4 Appeal* raised over £994,000 for 51 charities (excluding *Children in Need*). This included £470,000 raised by the traditional BBC Radio 4 Christmas appeal on behalf of the St Martin in the Fields church for its work with homeless people in London and around the UK. The monthly *Lifeline* appeal on BBC One raised just under £340,000 for charities ranging from Deafblind UK to the Canon Collins Educational Trust for Southern Africa.

BBC local radio in England, and BBC Wales and BBC Northern Ireland carried regular appeals for charities working in their region or nation. For example, BBC Radio Cambridgeshire awarded grants of nearly £40,000 to over 80 charities across the county, most of it raised by an annual on-air auction run by the station's staff and local volunteers. BBC Scotland also reflected the work of Scottish charities across its programmes.

In November 2001, *Blue Peter* launched its *Wheel Help Appeal*. So far, viewers have raised over £939,000 through bring and buy sales. The money is being used by Help The Aged to buy minibuses, scooters and adapted cars for isolated elderly people.

Following the terrorist attacks of 11 September, the BBC screened a fundraising event in aid of the United Way 911 Fund, which included opportunities for audiences to donate via an internet site. We also took part in an emergency appeal in February 2002 following the eruption of the Nyiragongo volcano in the Congo. The appeal, which raised a total of £1.6million, was requested by the Disasters Emergency Committee, an umbrella organisation which co-ordinates UK appeals on behalf of 14 aid agencies in response to major international disasters.



Socially responsible investment

The BBC is committed to conducting its business in accordance with the principles established by Lord Nolan's committee on standards in public life. The trustees of the BBC Pension Scheme, who are committed to the same standards, have established policies on both socially responsible investment and corporate governance. These aim to ensure that all companies in which they invest operate in a socially responsible way, including environmental and ethical considerations. The policy is also designed to follow best practice and take account of the recommendations of the *Combined Code* on corporate governance.

Ethical policy

The BBC seeks to meet the highest standards of ethical, employment and environmental practice. In the past year a new code of conduct has been introduced requiring our suppliers to operate on the same principles. This requires all direct suppliers, who in turn are required to supervise their sub-contractors, to observe best practice in the following areas: 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 and the environment

In many of its programmes the BBC explores environmental issues and often exposes abuses. It is therefore all the more important that, as a major organisation with more than 25,000 employees working in over 500 buildings across the UK, the BBC recognises the direct impact of its operations on the environment and the responsibility this brings to conduct its business in an environmentally friendly manner.

In 2000 the Board of Governors approved a formal environmental policy. Strategy is driven by a cross-divisional steering group, led by Jenny Abramsky as Environment Champion.

Progress is monitored and reported annually, in summary form in this report and more fully in the BBC's environment report published on www.bbc.co.uk/info, which follows global reporting initiative guidelines. Last year's document was shortlisted for the 2001 ACCA Environmental Reporting Awards.

The BBC has developed new indicators and targets in the past year to help focus on its environmental performance. The new policy, and the strategy we are now pursuing under the five headings that follow, take full account of the Turnbull Report, the Company Law Review, the Global Greening Initiative and the Government's call for the country's top 350 companies to report openly on their environmental activities. Above all, they reflect the view of audiences, licence payers, staff and the communities in which the BBC operates that we should adopt environmentally sound and sustainable practices which protect and improve the quality of life in each place.

Waste

Seventeen per cent of BBC waste was recycled last year, up from 12% in 2000/2001. Our target is to increase this to 55% by 2005 and to achieve a 10% reduction in waste sent to landfill by 2003. Recycled paper is used to make toilet rolls and hand towels that our waste contractor LS Trillium then purchases for BBC use. Used toner cartridges are recycled through a special arrangement with Hewlett Packard that converts them back into credits which go to *Children in Need* and the BBC's Procurement department has donated £12,000 to BBC charities for the exchange of printers and consumables. BBC Technology Limited has recovered 6,729 items of computer equipment for donation to the *Tools for Schools* scheme. Environmentally sound disposal of old video, audio and film tapes is another priority, and the BBC Specialist Factual division has begun recycling tapes through a company in the Netherlands, with 2,500 recycled during March 2002.



Left and above: BBC Training & Development's skillXchange team enables BBC staff to work on community projects, such as creating a wildflower garden from wasteland at a primary school in London (left), and running a workshop on web design for young people (above).

Tools for schools

6,729 items of old BBC computer equipment were recovered last year for donation to schools



Utilities

Total BBC energy use rose in the past year with the launch of new digital television and radio channels. An estimated 126,027 tonnes of carbon dioxide were released – a 5% rise on 2000/2001. The BBC's target is now to reduce energy consumption per broadcast hour by 8% by 2010, based on the new 2002 baseline. Water consumption rose 8% to 431,905 cubic metres where data was available and new targets will be set for the coming year.

The combined heat and power system at Television Centre in London, which uses steam generated from the turbine's waste heat, has saved 10,392 tonnes of CO₂. The proportion of energy from low carbon sources has increased from 0.3% to 14% and the BBC is currently tendering for all its local radio stations to be entirely supplied with 'green' electricity.

Property

All the BBC's premises have a direct impact on energy and water consumption, waste disposal and the local transport infrastructure. We are introducing energy efficient schemes wherever we can and actively support environmental ventures in the communities in which we operate. The BBC came third out of 18 leading companies invited to participate in the 2002 Property Environment Group benchmarking survey which measures the success of their environmental practices.

Rigorous standards are being applied to the BBC's major property development programme in London and across the UK to ensure that best environmental practice is achieved at every stage of the design, external construction and internal fitting process and throughout the full life cycle of all new buildings. The facade for Pacific Quay in Glasgow has been designed to maximise daylight potential and the major new development at BBC White City will be powered by its own energy centre, using sustainable technologies. Minimal use will be made of air conditioning in the new buildings and rainwater

collection schemes will feed landscaped areas. The new Mailbox development in Birmingham will use canal water for cooling the building.

Transport and travel

Transport planning to help staff travel to, from and between places of work led to the introduction in 2000 of a half-hourly shuttle bus between the BBC's main premises in the W1 and W12 areas of London. This is now saving 10,000 individual tube, taxi or car journeys a year, a 25% rise on last year, cutting costs and reducing congestion. The fleet has been upgraded to new technology diesel engines and now also carries packages, saving around 1,500 courier trips a year. A car-sharing scheme has been introduced to reduce the number of mini-cab trips by 10% and the BBC is working with Ford on an 18 month trial of a totally electric 'Think' car.

Supply chain and procurement

BBC purchasing activity in a typical year generates business worth over £700million, providing the opportunity to have a positive influence on the environmental policies of some 20,000 suppliers. Early in 2002 a new purchasing policy was endorsed, which included assessment of the environmental impact of IT and stationery contracts. *BBC Music* magazine has followed the lead of *BBC Wildlife* which last year became the first consumer magazine in the world to carry the Forest Stewardship Council (FSC) trademark, requiring the highest ethical standards throughout the production chain, from forest owners and paper manufacturers to publishers and printers.



Left: Artist's impression of BBC Scotland's new headquarters to be built at Pacific Quay, Glasgow.

Below: BBC London's energy-efficient Smart car.



People

Great programmes are only possible because of the dedication and creativity of all the people who work for the BBC. The BBC sinks or swims on the strength of their ideas and their collective endeavours as performers, presenters, producers, writers, journalists, editors, cameramen, studio technicians, press officers or accountants.



Above: Sangita Myska, presenter of *Lifting the Bonnet* and *Holiday*, was recruited through BBC Talent.

Right and far right: Twelve thousand actors were auditioned across the UK for parts in top BBC dramas *EastEnders* and *Casualty*.

More than 40% of the BBC's expenditure is on people. Some 25,000 of them are on the payroll – 18,606 in the BBC Home Services, 1,797 in the BBC World Service and 5,165 in the BBC's commercial divisions.

So to motivate and encourage them, to train and develop them and to recruit the right people into the organisation is perhaps the most important challenge we face. Only by getting this right can we achieve the constant process of creative renewal that is the key to the BBC's present and future success.

New talent

Kasey Clarke was working as a waitress in a pizza bar when she heard about BBC Talent. She is now working as a broadcast assistant on 1Xtra, the BBC's new digital radio station devoted to black music culture. After successfully presenting *Lifting the Bonnet* Sangita Myska is moving to *Holiday* and *Summer Holiday* on BBC One and David Garrido is a sports reporter on BBC News 24.

In the past year BBC Talent has offered 300 people like Kasey, Sangita and David from across the UK their first break in the broadcasting business – as presenters, reporters, actors, writers or in behind-the-scenes roles. Its aim is simple: to attract the next generation of new talent to work for the BBC and, in the process, improve the BBC's contact with young people and other groups who often see it as out of touch, distant and old fashioned.

BBC Talent began in 2000 with six schemes and has mushroomed since then. In 2001 it doubled to 12 schemes and attracted an extraordinary 140,000 applications. With BBC Drama Series it visited 12 cities and auditioned 12,000 actors for roles in top series like *Casualty* and *EastEnders*. Thirty-three were offered contracts as a result. All 39 BBC local radio stations in England joined forces to discover new presenter talent, many with unusual backgrounds. The BBC's Urban Music



Different perspectives

1,700 BBC journalists across the UK took part in diversity awareness seminars in the past year



Scheme held a nationwide search for the best new performers on the black music scene.

The third year of BBC Talent has now been launched with 16 schemes, including opportunities for interactive presenters, film makers and animators for BBC Choice and presenters for BBC One science programmes. More locations than ever before – 70 in total – will be used for auditions in 22 different UK towns and cities. This year's website has already received 2.5 million hits.

Other BBC talent schemes included the *New Writing* initiative, which has helped the script editor on *Doctors* identify ten new writers as the series expands to a year-round drama, and *Northern Exposure*, a major new initiative to find and nurture drama and comedy writers across the north of England. Run in partnership with regional theatres, it has worked with more than 4,000 writers in its first year.

Diversity

The changing face of Britain today creates several challenges for the BBC. Firstly, because as a public service broadcaster, we have specific obligations to meet the needs of minorities and special interest groups. Secondly, because research suggests minority ethnic groups tend to use BBC services less than the majority of white audiences. Thirdly, because if the BBC fails to reflect in its programming the multiculturalism that the young in particular now take for granted, there is a real danger of becoming irrelevant to major parts of our audience.

The BBC's workforce is open to everyone irrespective of their race, colour, creed, ethnic or national origin, marital status, gender, disability or age. This is not a matter of simply complying with relevant legislation, or of so-called political correctness, but a clear business imperative if the BBC is to provide an equally relevant service to all licence payers. We aim to create a BBC where diversity is seen as an asset, not an issue; which is open to talent from all communities and all cultures; and which reflects the

world in which we live today, not the world of yesterday.

The steady increase in the number of women in management positions across the BBC has continued in the past year. By March 2002 the BBC had achieved its targets at senior executive and, for the first time, at middle manager levels.

Targets for ethnic minorities were raised last year. Against the new target of 10% employment by the end of 2003, figures rose from 8.4% to 8.9% by March 2002. For senior staff, where the target is now 4%, the level rose to 3.2%.

To help the BBC meet its targets by next year, diversity action plans, monitored quarterly, have been put in place in every division. A new *Ascend* development scheme has been created providing bespoke training courses for, to date, 80 ethnic minority staff members to help them develop their potential to move to higher grade employment.

A major success of the past year has been a Diversity Roadshow. 1,700 BBC journalists attended awareness-raising seminars as it travelled round the UK. Sixty-seven per cent of those attending said they were "likely to change their editorial approach" as a result.

BBC Scotland has set up a second diversity traineeship, designed to provide a comprehensive introduction to television, radio and online production, and the appointment of Community Affairs Researchers at each of the BBC's 11 English regional news centres has helped build stronger, more credible links with under-represented communities across each region. Journalistic experience was not a criterion for these jobs; an enquiring mind, research skills and a background of community involvement were.

While progress in terms of gender and ethnicity has been encouraging, staff with disabilities remain under-represented.



Diversity: proportion of women in management

			%
Senior executives	Target for 2003		30.0
	31 March 2002		36.7
	31 March 2001		36.9
Senior managers	Target for 2003		40.0
	31 March 2002		35.5
	31 March 2001		34.1
Middle managers and senior professionals	Target for 2003		40.0
	31 March 2002		40.1
	31 March 2001		38.0

Source: BBC HR Management Information.

People

The *Northern Exposure* talent initiative is working with new writers across the north of England.



Two specific measures have been taken to try to bring more disabled people into the BBC workforce. New guidelines have been produced on recruiting and employing disabled people, ensuring that the legal responsibilities laid down in the Disability Discrimination Act are met in full. The BBC has established an Access Unit and set aside funds to help meet adjustment costs. In addition, the *Extend* work experience scheme, which offers three months' work experience for qualified disabled people, has created many new opportunities. Out of 43 placements to date, 23 have been completed and 13 participants have subsequently gained paid work with the BBC.

Human resources

The *One BBC* approach, first set out by Greg Dyke in April 2000, has put less money into running the BBC and more into programmes. It has also galvanised the BBC's internal culture to become more collaborative. But there is further to go if the innate creativity of BBC people is to achieve its full potential. The *Making it Happen* initiative, announced this year, is designed to take this forward, to encourage more risk taking, to explore new ways of working and to seek out new and fresh ways of connecting with our audiences.

A significant achievement this year was gaining Investors in People (IiP) accreditation across the whole BBC, which is one of the largest and most complex organisations to have attained this important quality standard.

5,511 people joined the BBC in the past year. A further 6,699 changed jobs within the organisation. As part of a full overhaul of human resources operations, a new specialist recruitment department has been established and, for the first time, a comprehensive approach to induction is being introduced for all new joiners, including a common, four-day course for staff at every level.

At a time when many organisations are closing such schemes, the BBC remains committed to its final salary pension scheme, open to all permanent staff.

Succession and development planning remains an organisational weakness that will be addressed as a priority in the coming year, together with a more systematic approach to staff development and training, modernised to meet the BBC's changing needs. Investment will be increased further from last year's spend of £38million, which included 38,000 days' training for some 18,500 people inside and outside the BBC. Staff in all areas have access to a growing range of opportunities through coaching, courses, workshops, online learning and secondments.

The BBC monitors staff views through an annual staff survey. It also has various consultation mechanisms, including at corporate level, the BBC Forum. Regular meetings are also held with the recognised unions: BECTU (Broadcasting Entertainment Cinematograph and Theatre Union), the NUJ (National Union of Journalists) and AMICUS (formerly the AEEU).

Internal communication

Progress in improving internal communication is measured by an annual survey of staff opinion conducted by MORI. The latest of these, conducted in December, shows a further increase of 5% in the overall quality of communication and puts the BBC into MORI's top ten organisations for the first time. There is, however, still more to be done to embed communication as an integral part of the leadership role across the BBC.

Health and safety

The welfare and safety of BBC staff has been a primary consideration in a year dominated by major stories at home and abroad, from foot-and-mouth disease to Afghanistan.



Above: On the lookout – Ian Wright leads the hunt for new BBC talent.



New faces, new voices

Over 300 people have been given their first break in broadcasting by BBC Talent



Specialist training for staff has been a priority and the BBC also contributed to the development of safety practices within the industry.

The number of reportable incidents in the past 12 months fell from 72 to 62, of which 15 were classed as 'major injuries'. The BBC was not subject to any HSE enforcement action and had no convictions for health and safety offences.

The BBC-wide health and safety policy was revised during the year, in line with the Government's *Revitalising Safety* challenge to industry, and relaunched in November. Its focus is on ensuring commitment, clear responsibilities, knowledge and skills, employee involvement and improvement throughout the BBC.

A new corporate Health and Safety Committee operates with formal delegated authority from the Executive Committee and has agreed the safety plan for the coming year. Within each division, a nominated Board member has responsibility for health and safety, and staff and elected Safety Representatives contribute to developing a safety culture. Formal arrangements, including safety forums, ensure consultation and co-operation.

There were 7,446 recorded attendances at formal safety training sessions, representing about 30% of employees, and a significant expansion of the material on the BBC's Gateway intranet site has made it more easily accessible to staff.



Diversity: proportion of people from ethnic minorities in the workforce

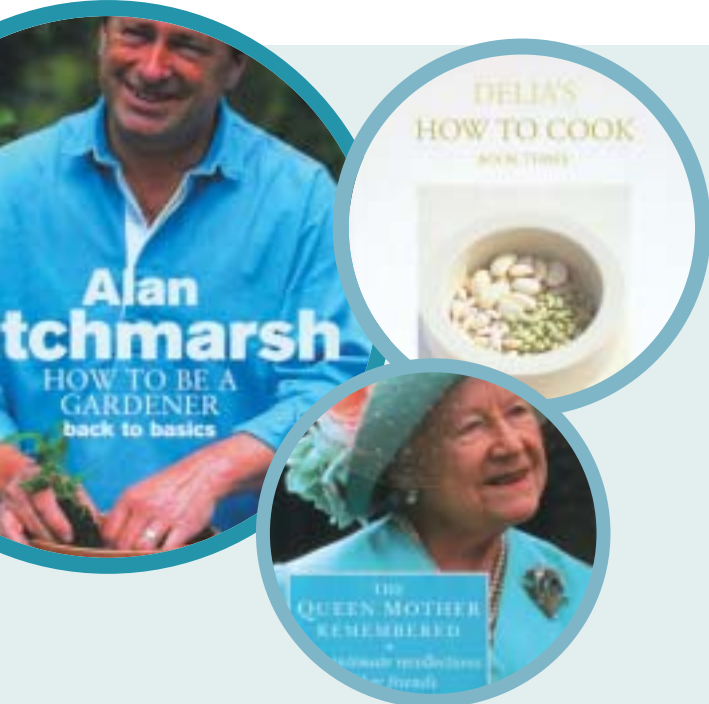
			%
BBC Group	Target for 2003		10.0
	31 March 2002		8.9
	31 March 2001		8.4
London Home Services	Target for 2003		10.0
	31 March 2002		9.6
	31 March 2001		9.4
BBC World Service	Target for 2003		10.0
	31 March 2002		27.8
	31 March 2001		27.4
Scotland	Target for 2003		3.0
	31 March 2002		1.6
	31 March 2001		1.2

			%
Wales	Target for 2003		6.0
	31 March 2002		2.1
	31 March 2001		1.5
Northern Ireland	Target for 2003		2.0
	31 March 2002		1.0
	31 March 2001		1.0
English Regions	Target for 2003		8.0*
	31 March 2002		6.1
	31 March 2001		5.0

*Average figure: English Regions have set individual targets for each region.
BBC Ventures' staff based outside London are included in Nations and Regions totals.
Source: BBC HR Management Information.

Commercial activities: BBC Worldwide Limited

In a year of difficult trading conditions in many domestic and overseas markets, BBC Worldwide Limited increased its sales, grew its business activities and delivered profits in excess of its plans. It contributed over £100million to the BBC for the first time.



Left and below: Successful new book titles (left) and a range of merchandise for adults and children contributed to BBC Worldwide's sales growth in 2001/2002.

Total sales across BBC Worldwide rose to £660million last year, with sales growth, including joint ventures, at 12% – in double figures for the third year running.

A £106million cash flow contribution was invested back into the BBC – up from £96million last year. Cash flow growth remains ahead of projections and BBC Worldwide is on course to achieve its £210million target by 2006/2007.

BBC Worldwide won a record 84 industry awards during the year, including the Queen's Award for Enterprise in recognition of the success of its television export business, now the biggest outside the USA. This was measured over a three-year period from 1999 to 2001, during which BBC Worldwide grew this business by almost 35%, from £146million to £195million.

Programme exports had been helped over the period by a run of major creative successes from different BBC departments, including *The Weakest Link*, *Teletubbies*, *Tweenies*, *Walking with Dinosaurs*, *Walking with Beasts* and *The Blue Planet*.

Video and DVD sales and profits increased this year as BBC Worldwide grew its DVD business both in the UK and, through a deal with Warner Brothers, in the US. *Delia's How to Cook – Book Three* and a range of children's titles including *Tweenies Annual 2002* delivered strong sales and the business consolidated its position in the audio book market with the successful acquisition of Chivers.



A good read
20% of UK adults now read a BBC magazine every month



BBC Worldwide retained its position as the UK's third largest magazine publisher and outperformed its larger competitors with copy sales growing 2% overall in a flat market when the industry had been hit by declining advertising revenues. *Tweenies* was the biggest UK success for the children's division and two new touring shows were launched during the year. The phenomenal success of *Teletubbies* continues overseas with a Mandarin version broadcast in China for the first time.

BBC Worldwide is the largest UK-based provider of international television channels. These now reach more than 450 million homes across the globe – a steep rise from the 365 million achieved last year.

The recommendations of a review of BBC Worldwide's operations and relationship to the wider BBC were implemented during the year. A new Commercial Board, chaired by the Director-General, oversees the strategy and performance of BBC Worldwide and BBC Ventures on behalf of the Executive

Committee. Collaboration and business transparency between BBC Worldwide and BBC output divisions have been strengthened. Distribution reports analysing the commercial performance on all investments made since 1997/1998 are now shared across the BBC on a quarterly basis and closer partnerships have been established on key talent contracts and marketing activities such as the annual BBC Showcase trade fair which licenses television programmes to overseas customers.

In July 2001, BBC Worldwide's internal organisation was streamlined to improve focus, increase efficiency and reflect the international reach of the business. As a result unnecessary duplication has been removed and there is closer integration of the Regional operations. The restructuring has helped contribute towards the £21million delivered in efficiency savings.

Prompt action by BBC Worldwide senior management mitigated the impact of charges brought by the Hong Kong authorities against toy sourcing agent EMS for alleged fraud against BBC Worldwide. The Governors' report on pages 60 to 69 confirms that action has been taken to address the issues raised by an independent investigation into the alleged fraud.

BBC Worldwide achieved its diversity target, with just over 10% of its staff now from minority ethnic groups. Including overseas offices, the figure is 13%.



BBC Worldwide Limited cash flow to the BBC

	£ millions
2001/2002	106
2000/2001	96
1999/2000	82
1998/1999	81
1997/1998	75



The Weakest Link – Anne Robinson and other international presenters of a format that has become a global success story.

Commercial activities: BBC Ventures Group

BBC Ventures Group was formed in February 2002 to exploit business-to-business opportunities and, like BBC Worldwide Limited, operates within the framework of the BBC's Commercial Board.



Above: *Music Live* attracted around 250,000 people in Leeds, Bradford and York to live music concerts and broadcasts supported by BBC Resources.

Right: Internet streaming is a growth area for BBC Technology.

BBC Ventures Group brings together BBC Resources Limited, a BBC subsidiary company providing production facilities and design services in-house and in external markets since 1998, and BBC Technology Limited, which began trading as a subsidiary on 31 March 2001 designing, building and operating systems for managing and distributing content on multimedia platforms.

During the year BBC Broadcast Limited was incorporated as a third subsidiary, which commenced trading on 2 April 2002 providing a comprehensive range of playout and channel management services. Kingswood Warren Ventures Limited has been formed to exploit technological intellectual property rights.

Approval for the incorporation of a holding company, BBC Ventures Group Limited, is awaiting a decision from DCMS. This would enable this group of companies to operate with higher borrowing levels, like BBC Worldwide, ring-fenced from the BBC's Public Sector Borrowing Requirement limits.

Market conditions in the past year were highly challenging, especially following the bursting of the 'dot.com' bubble and the financial difficulties of many media and technology companies. Despite this difficult environment, the group's results were substantially improved over those of last year, with an overall trading loss of £5.4million (compared to a £9million loss in 2000/2001).

Additionally, many of BBC Ventures Group's businesses have contractual obligations to deliver BBC cost savings, ie lower prices for strategically purchased services. In 2001/2002, £12.6million was delivered back to the BBC – which was twice the target figure. The key task for the new Group in 2002/2003 will be to drive up the performance of the businesses through the agreed strategy for growth.



Behind the scenes

BBC Resources mounted the UK's biggest-ever outside broadcast operation for the Queen Mother's funeral



BBC Resources Limited

Revenue performance has improved slowly but consistently over the past year, with more realistic business targets being set. Operating losses of £6.3million were recorded over the year, an improvement on last year's figure of £12.8million, but £8million was returned in cash for the BBC to use in programme making. The 2001/2002 figures largely reflect losses of £4million by BBC Resources' interactive design agency, MediaArc, which has now been significantly re-structured, including the transfer of the Belfast operation to BBC Technology.

TV Studios had a good year, achieving profitability for the first time ever. So did Outside Broadcasts, winning contracts including Chrysalis' World Rally Championships and the TWI snooker contract, and providing the expertise behind the BBC's much-acclaimed national events coverage.

During the year total headcount fell to 1,605, as just over 1,000 staff who provide technical, editing and engineering support to BBC Nations & Regions' operations were transferred back into their core business.

BBC Technology Limited

BBC Technology has successfully pitched for several high-profile contracts in the past year, most notably winning a five-year contract from Hutchison 3G for the provision of a media production facility for their third-generation mobile phone service in the UK. The cutting-edge technology this involves offers important prospects for further commercial success in new and emerging broadcast markets.

The acquisition of Intel's Reading-based media streaming and hosting operation during the year helped establish a new partnership with Real Networks as its Gold Pass streaming partner in Europe, which includes streaming Channel 4's *Big Brother*. IXL's consulting and systems integration business,

based in San Francisco and Atlanta, was a further strategically important acquisition, adding considerable expertise in digital interactive television and a recognised presence in the US market. During the year BBC Technology contributed £16million in cash to the BBC.

BBC Broadcast Limited

The centre of excellence in broadcasting and presentation operations which existed within BBC Television was incorporated into a limited company structure on 2 April 2002. These skills are now being offered in the wider marketplace for the first time. In addition to its specialist services in playout, media planning and channel management, BBC Broadcast offers creative services such as channel branding, promotions and trails, and access services such as audio description and sign language.

Broadcast currently supplies services for 17 public service and commercial television channels, all the BBC's national and local radio services and BBCi. Potential customers include existing broadcasters, new media and telecommunications companies, and new contracts already won include the production of trailers for Discovery Network Europe.

Kingswood Warren Ventures Limited

Kingswood Warren Ventures Limited is a company within the BBC Ventures Group which aims to secure commercial returns for the BBC by exploiting opportunities arising from work undertaken by BBC Research and Development or other BBC departments. Opportunities will be developed through partnerships, joint ventures or by launching commercially successful products or services, where clear market opportunities can be identified.



Above: BBC Four's launch was supported by the creative skills of BBC Broadcast.

Left: Wimbledon 2001 was supported by teams across all of BBC Ventures Group.

Compliance

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 independent auditors report formally on the BBC's policies, procedures and compliance as follows:

1 Fair trading	60
2 Financial statements	62
3 Risk and control processes	63
4 Governors' remuneration report	66
5 Programmes from independent producers	69
6 Other rules	69

1 Fair trading

Governors' statement on fair trading

Commercial activities and fair trading

The BBC's core purpose is to provide public service broadcasting funded by the licence fee. 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 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 licence payers.

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 (FTCC).

The recently published BBC document *BBC Governance in the Ofcom Age* included the following commitment:

"The Governors' key responsibilities for monitoring regulatory compliance – on fair trading and on programme standards – will be fulfilled more independently than at present. Advice to the Governors by external auditors on fair trading compliance matters will be contracted directly by the Governors".

The new arrangements bring greater clarity to fair trading compliance responsibilities: BBC management is responsible for day-to-day compliance and Governors – through the FTCC – are responsible for monitoring how effectively management is operating in these areas.

The Committee is advised directly by independent auditors and by the BBC's Head of Fair Trading and Head of Internal Audit, if necessary, without the mediation of BBC management. 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.

60 The management of the BBC's fair trading arrangements is regularly tested by the British Standards Institute and those arrangements have been accredited with the ISO 9000:2001 quality standard.

By their nature, fair trading judgements are complex, reflecting the constantly developing environment in which the media industries operate. Through the FTCC, the BBC's Governors bring informed scrutiny and balanced judgements to bear on the important issues of policy that arise from the BBC's engagement in commercial ventures.

Fair trading complaints

Among the responsibilities of the Head of Fair Trading is to advise the FTCC and the Executive Committee on any fair trading complaints which have been laid against the BBC. He may be contacted at BBC, Broadcasting House, London, W1A 1AA. The FTCC publishes a quarterly bulletin of any allegations of breaches of the Fair Trading Commitment.

Events of the year

External challenges

During the year, no complaints were upheld against the BBC. There were no new formal investigations of the BBC's commercial activities by external bodies, eg the Office of Fair Trading (OFT) or the European Commission. However, a number of complaints were made to the Board of Governors or to the Head of Fair Trading that the BBC was in breach of its guidelines:

- Bob Burrows, a media consultant, wrote to the BBC's Director-General alleging that BBC Wales was unfairly refusing to supply production facilities to independent producers. The BBC explained in detail to Mr Burrows that there was no refusal to supply facilities for use by independent producers. Due to restructuring, BBC Wales, at the time of the enquiry by the independent producer, was not in a position to identify whether the requested facilities would be available for commercial use.
- The British Internet Publishers' Association (BIPA) has written to the BBC Chairman alleging a number of unfair trading practices by BBCi, the BBC's online service. A letter of response has been sent to BIPA defending the activities of BBCi.
- Intelfax, a commercial provider of access services (eg subtitling), sent a letter to the BBC expressing concern about how BBC Broadcast Limited will trade fairly in

the commercial marketplace. The BBC responded that incorporation works to create operational and financial separation of commercial and licence-fee-funded activities, ensuring that BBC Broadcast Limited receives no cross-subsidy or other unfair advantage from the licence-fee-funded BBC. Moreover, the BBC's *Commercial Policy Guidelines* require that BBC Broadcast Limited earns a rate of return on its business commensurate with market practice.

- IPC Media wrote to the BBC Chairman complaining that two trails for BBC Worldwide Limited magazines had been transmitted without the appropriate disclaimer, namely that other magazines are available. The BBC responded thanking IPC for bringing the issue to its attention and explaining that the two examples of inappropriate trailing were a result of a failure in the BBC's automated processes. In future, manual checks on the computer process by senior editorial staff will be introduced to ensure that only appropriate slides are broadcast.
- RM plc, a major provider of electronic educational resources to schools in the United Kingdom, has issued a legal challenge to the BBC alleging illegal use of state aid and that the BBC is acting ultra vires its Charter and Agreement in relation to the BBC's proposal to introduce a new digital curriculum service. The BBC is defending the action.

Some complaints were unresolved at the time of last year's *Report*. There follows an update as to how these have been resolved (where there have been further developments during the year):

- Following an investigation by the OFT, under the Competition Act 1998, the OFT rejected ITN's complaint which alleged that a number of carriage agreements for BBCi (News) with third party portals were in breach of the Competition Act.
- Independent record producer Robin Millar originally wrote to the Controller, Fair Trading, on 3 December 2000, alleging that several BBC Radio 1 disc-jockeys in the dance music genre discriminate unfairly in favour of artists in whom they have a financial interest. An investigation by the BBC did not produce any evidence of unfair trading. Mr Millar has agreed to supply the BBC's Head of Fair Trading with any evidence that he does obtain and the Head of Fair Trading has committed to undertake an investigation on receipt of information.

All external challenges are reported in the BBC's *Fair Trading Bulletin* which is available from the Head of Fair Trading at BBC, Broadcasting House, London, W1A 1AA or online at www.bbc.co.uk/info.

BBC Broadcast Limited incorporation

To enable the BBC to engage more actively in the commercial supply of broadcasting and presentation services while maintaining compliance with the Commitment and the law,

an arm's length commercial subsidiary was established. BBC Broadcast Limited received approval from the Secretary of State on 22 January 2002 and formally began trading on 2 April 2002.

Competition Act 1998

As expected, the Competition Act 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 this legislation.

Governors' opinion

The Governors consider that the policies contained in the BBC's Fair Trading Commitment are consistent with the requirements of the Royal Charter and the accompanying Agreement. Through the FTCC, 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.

Independent Fair Trading Auditors' report to the Governors of the BBC

We have audited, in our role as the BBC's Fair Trading Auditors, the framework of systems, procedures and internal controls established within the BBC to provide the Governors with reasonable assurance that the BBC has complied with its published Fair Trading Commitment for the year ended 31 March 2002.

Our instructions for this audit, which included the scope of work to be undertaken, were agreed with the Governors' Fair Trading Compliance Committee. These instructions include agreement that our audit should be conducted in accordance with relevant Auditing Standards, agreement on the limit of our liability in respect of this work and agreement that our duty of care in respect of this work is solely to the BBC. We are satisfied that the agreed scope of our audit was sufficient to enable us to express the opinion set out below.

Respective responsibilities of Governors, management and auditors

The Governors are responsible for ensuring that the BBC meets all the requirements of competition law and trades fairly. They have established its Fair Trading Commitment, determine the objectives of the systems, procedures and internal controls designed to ensure compliance with this Commitment and monitor the outcomes of those systems, procedures and internal controls. They are also responsible for preparing the Governors' statement on fair trading compliance as included in the BBC's *Annual Report*, which includes on pages 60 and 61 a statement on fair trading.

The BBC's management is charged by the Governors with operating the systems, procedures and internal controls designed to ensure compliance with the Fair Trading Commitment, including identifying and assessing risks that

could threaten fair trading and designing and implementing responses to such risks.

As the BBC's Fair Trading Auditor, it is our responsibility to form an independent view, based on our audit work, as to the extent to which the BBC has established, and applied, systems, procedures and internal controls which provide reasonable assurance that it has complied with its Fair Trading Commitment during the year. We have also reviewed whether the Governors' statement on fair trading reflects our findings of the BBC's compliance with that Commitment, and we report if it does not.

Basis of audit opinion

We have carried out a programme of procedures and tests designed to provide us with the assurance that we were seeking. Our work consisted of enquiry and assessment to enable us to form a view as to whether appropriate systems, procedures and internal controls were in place. We also reviewed the processing of a sample of material transactions to provide us with reasonable assurance that the systems, procedures and internal controls had been applied.

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

Opinion

In our opinion the BBC has established and has applied systems, procedures and internal controls which provide reasonable assurance that it has complied with its Fair Trading Commitment for the year ended 31 March 2002.

PricewaterhouseCoopers
Chartered Accountants

London
20 June 2002

Governors' report on BBC World Service Trading Protocols

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 and subsidiaries of the BBC (the supplier divisions).

It was agreed by a joint Foreign and Commonwealth Office (FCO)/BBC World Service Working Group that the BBC would

draw up guidelines to govern the trading relationship between BBC World Service and the supplier divisions, in order to ensure that BBC World Service maintains its distinctive voice and to preserve the clear separation between Grant-in-Aid and licence fee income. These Trading Protocols were approved by the Governors' Fair Trading Compliance Committee (FTCC) in 1997.

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

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

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

KPMG (the external auditors) have 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 BBC supplier divisions. KPMG have reported to the Governors that, in their opinion, the information contained in the summary of transactions for the year ended 31 March 2002 has been properly extracted from the books and records of the supplier divisions and has been properly prepared on the basis 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 BBC World Service Trading Protocols

Following regular reports to the Fair Trading Compliance Committee by the Head of 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
- 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.

Report of the independent auditors to the Governors of the British Broadcasting Corporation (BBC)

We have audited the financial statements on pages 72 to 107.

Respective responsibilities of the Governors and Executive Committee and Auditors

The Governors and Executive Committee are responsible for preparing the *BBC Annual Report*, including, as described earlier on pages 62 and 63, 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. We also report to you if, in our opinion, the financial information on page 10 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 *BBC 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 63 to 66 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 2002 and of the deficit 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
20 June 2002

3 Risk and control processes

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 follows the seven principles of public life set out in the Nolan Committee reports on *Standards in Public Life*.

The *Combined Code*, issued by the London Stock Exchange in June 1998, sets out principles of good governance. The BBC voluntarily complies with the *Combined Code* to the extent it is applicable. The requirements of the *Combined Code* apply 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 licence-paying public, rather than shareholders, through the stewardship of the Governors.

How the BBC has applied the remuneration principles is covered separately within the remuneration report on pages 66 to 69.

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 day-to-day operations. Details of the Board of Governors and Executive Committee are summarised on pages 4 to 5 and 8 to 9. A register of interests for both the Governors and 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 this *Annual Report* as follows:

- Governors' Programme Complaints Committee (page 46)
- Governors' Fair Trading Compliance Committee (page 60)
- Governors' Audit Committee (page 65)
- Governors' Commercial Committee (page 65)
- Governors' Remuneration Committee (page 66)

During the year the Chairman of the Governors conducted a review of the governance arrangements of the BBC. As a result the distinction between the roles and responsibilities of the Governors and the Executive Committee has been clarified and enhanced. In particular, the Governance & Accountability department now provides greater support to the 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.

The 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 informed about its services and the way in which it operates, and to be 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 *Statements of Programme Policy*, internet 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 63.

A summary of the financial review of the BBC is included on pages 70 and 71. This, together with the Director-General's review on pages 6 and 7, provides an assessment of the BBC's performance 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 whilst 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 provide only 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 significant risks faced by the BBC. The process has continued to evolve during the year ended 31 March 2002 and up to the date of approval of this report and accounts. It has been 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 are to be taken to embed risk management more fully throughout the BBC and reflect recent internal reorganisations and the expansion in the BBC's services.

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. The Director of each division had a clear responsibility for the identification and management of risks facing their business. Divisional management have made progress in their review of risks associated with the achievement of each division's objectives. Consideration of these risks includes a review in each division of the impact of the BBC's top risks. The risks identified and the actions planned in response are maintained in a risk register in each division which is verified by BBC Internal Audit. Reports on the management of the key risks are considered by the Executive Committee and by the Audit Committee.

- *monitoring of controls*

BBC Internal Audit undertakes regular testing of control systems and compliance with core business processes under a plan agreed with the Audit Committee. This programme of testing, which is updated three times each year, is based on a continuing assessment of key risks. The results of testing are reported to the Audit Committee, which monitors the operation of the BBC's controls throughout the year.

- *divisional controls*

The divisions' management has responsibility for ensuring that existing controls and procedures are followed. Key controls over major business risks include maintaining and regularly updating risk registers, performance review and exception reporting. Reviews by BBC Internal Audit monitor the operation of divisional controls to ensure that they are consistently applied and, as a minimum, meet the BBC-wide control policy.

- *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 the 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 & Business Affairs has established monitoring procedures to review the performance of Medas on a regular basis. These include regular review by BBC Internal Audit in a programme of work informed by a continuing assessment of key risks and issues.

- *whistle-blowing*

The BBC has put in place a 'whistle-blowing' policy. The policy facilitates the anonymous communication to the BBC of any

incident in which there is a suspicion that there has been wrongdoing. The process is administered by an independent external company to ensure anonymity. Each reported incident is investigated, a response communicated and action taken as appropriate.

- *financial reporting*

The BBC has a comprehensive system for reporting financial results (and business performance). In April 2001 the introduction of new financial and business processes using SAP software was successfully completed. During the year each division prepared monthly reports and accounts. These results were reviewed locally and the consolidated results of the BBC 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 financial year. The annual budget of each division is reviewed by the Director of Finance, Property & Business Affairs. The overall budget is approved by the Director-General, the Executive Committee and the Board of Governors.

Governors' Audit Committee

The Audit Committee meets four times each year and is charged with reviewing the effectiveness of internal control; approving and monitoring the BBC 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.

The Audit Committee regularly reviews the independence of its external auditors, currently KPMG. The Committee holds discussions with the external auditors without management being present. The Committee reviews the nature and level of non-audit fees paid to KPMG. Any significant consulting work is put out to competitive tender. Recruitment from KPMG into any senior management position requires the prior approval of a member of the Audit Committee. The Committee also considers, with management, the performance of the external auditors each year and provides feedback to senior members of KPMG unrelated to the audit.

Governors' Commercial Committee

This committee monitors the performance 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 using licence fee income to support commercial operations and without putting the licence fee at risk.

Events of the year

The BBC's system of controls, as stated above, is designed to manage risks rather than eliminate them entirely. During the year the BBC has reviewed lessons learnt from the following incidents, updating controls where considered appropriate.

Broadcast & Business Continuity

On Saturday 30 June 2001 the uninterruptable power supply in Television Centre failed. This resulted in the total loss of BBC television programmes for over 20 minutes during peaktime viewing. The report to the Board of Governors on this incident highlighted the need for improved co-ordination across the broadcast delivery chain to achieve clarity of ownership, consistent standards and performance monitoring. In July 2001 the Director-General appointed a Director of Broadcast Continuity to review the current broadcast infrastructure, and the processes associated with the delivery of broadcast content to licence payers. Since then, the Broadcast & Business Continuity team has worked with the relevant BBC divisions to deliver a number of projects aimed at improving the BBC's broadcast resilience, including:

- ensuring that in the event of a major disruption, from June 2002, the BBC is able to restore its scheduled analogue television services within ten minutes, and maintain its recorded scheduled output for 48 hours
- from January 2003, providing improved resilience for the BBC's digital services

A key objective for 2002/2003 is to ensure the BBC adopts an agreed target for the level of service delivery to its audiences. This would not only be an important measure of broadcast continuity performance but would provide a basis for future continuity planning and investment decisions.

In common with other organisations, the events of 11 September led the BBC to review its arrangements for dealing with unplanned contingencies. As a result, Broadcast Continuity's remit was extended to encompass wider, business continuity issues, and the security of the BBC's people and assets. We have initiated a two-year programme of improvements to fire precautions, glass protection and electronic security at broadcast critical sites. In addition, contingency plans and their rehearsal are being given particular priority with the appointment during 2002 of a Head of Contingency Planning & Disaster Recovery to co-ordinate this activity across the organisation.

Alleged fraud

During the year an allegation of fraud was made against an agency sourcing the supply of goods to BBC Worldwide Limited. The supplier is based in Hong Kong, where criminal charges have been brought against directors of the agency and against a former director of BBC Worldwide Limited who is also charged with conspiracy in the alleged fraud. The potential

loss to BBC Worldwide Limited is less than £1million and action is being taken to recover possible losses pending judgement.

Statement of compliance with the *Combined Code of Best Practice*

The BBC has complied throughout the year ended 31 March 2002 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

During 2001, the Governors approved the establishment of a sub-committee of the Board to act as a Remuneration Committee. This committee exists to deal with all matters relating to the remuneration of members of the Executive Committee and is accountable to the Board of Governors for the:

- determination and maintenance of overall remuneration policy
- review and agreement of Executive Committee basic salaries, bonus awards and benefits, including pension arrangements

The Committee has no input into the remuneration of its own members.

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 has 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 68. The increase in annual remuneration notified for 2001/2002 was 2.7% for the Vice-Chairman and 3.6% for the Chairman and other Governors (2000/2001 2.9% for the Vice-Chairman, and 3.6% for the Chairman and other Governors).

Executive Committee: remuneration policy

The Committee considers the performance of the Executive Committee members before recommending their annual remuneration and bonus awards. The BBC's Director of Human Resources & 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
- take into account the 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 Remuneration Committee has 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 of up to 30% of the bonus.

For the year under review the targets related primarily to objectives which were set by the Governors and published in last year's *Annual Report*.

Bonuses are reflected in the financial statements on an accruals basis for the performance period under review. Actual payments are made in July each year.

A long-term incentive plan is in place for the Chief Executive of BBC Worldwide Limited. This is based on the achievement of a specific cash flow target over a three-year period at the end of which a payment of up to 20% of salary could be made. The Governors have also approved the establishment of a comparable plan to be put in place for the Chief Executive

of the BBC's other commercial subsidiaries based on achievement of those companies' performance targets.

Benefits

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. With the exception of the post of Director of Nations & Regions, new appointees to the Executive Committee are only eligible for a company car and fuel for private use. The Director-General is eligible for a chauffeur-driven car but has no additional entitlement to a company car and fuel for private use. Executive Committee members are also eligible for medical insurance covering the executive and family and, where there is a business need, digital reception equipment.

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

Governors	Fees £000	Benefits £000	2002 £000	2001 £000
Gavyn Davies (Chairman)	52	14	66	6*
Sir Richard Eyre	15	2	17	16
Dermot Gleeson	15	7	22	10*
Baroness Hogg	15	2	17	16
Roger Jones	26	4	30	30
Professor Fabian Monds	26	6	32	30
Dame Pauline Neville-Jones	18	11	29	18
Rt Hon The Lord Ryder (Vice-Chairman) (apptd 1.1.2002)	7	–	7	–
Sir Robert Smith	26	6	32	26
Ranjit Sondhi	20	2	22	21
Sir Anthony Young	15	3	18	17
Sir Christopher Bland (Chairman) (retd 30.9.2001)	39	2	41	89
Heather Rabbatts (retd 20.12.2001)	11	3	14	16
	285	62	347	295

*Appointed part-way through 2000/2001.

Executive Committee	Salary £000	Annual bonus £000	Benefits £000	Total 2002 £000	Total 2001 £000
Greg Dyke	357	97	15	469	454
Jenny Abramsky	205	54	14	273	258
Glenwyn Benson	179	40	7	226	15*
Mark Byford	211	69	14	294	280
Stephen Dando (apptd 11.6.2001)	173	48	1	222	–
Andy Duncan (apptd 11.6.2001)	181	45	9	235	–
Carolyn Fairbairn	187	48	13	248	212*
Roger Flynn (apptd 1.6.2001)	188	45	10	243	–
Rupert Gavin	270	50	19	339	355
Ashley Highfield	222	59	13	294	156*
Pat Loughrey	182	46	31	259	195*
Peter Salmon	199	48	26	273	105*
Richard Sambrook	204	47	9	260	10*
John Smith	219	66	26	311	304
Michael Stevenson	179	36	18	233	218
Caroline Thomson	173	39	14	226	144*
Alan Yentob	221	58	23	302	290
Gareth Jones (resgd 10.6.2001)	38	–	4	42	264
Philip Langsdale (resgd 1.4.2001)	–	–	–	–	237
Margaret Salmon (resgd 30.4.2001)	189**	–	4	193	263
Mark Thompson (resgd 12.12.2001)	153	–	11	164	272
	3,930	895	281	5,106	4,032

*Appointed part-way through 2000/2001.

**£163,000 of Margaret Salmon's salary was a payment in lieu of notice in line with her contractual entitlement.

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 2002 per annum b £000	Transfer value of increase c,d £000	Individual's contri- butions e £000	BBC contri- butions to money purchase scheme f £000
Sir Christopher Bland	1	7	12	2	–
Executive Committee					
Greg Dyke	2	4	25	4	52
Jenny Abramsky	6	118	109	12	–
Glenwyn Benson	4	21	67	12	17
Mark Byford	8	75	99	10	–
Stephen Dando	1	1	10	3	37
Andy Duncan	1	1	10	3	21
Carolyn Fairbairn	2	8	15	4	18
Roger Flynn	1	1	10	4	22
Rupert Gavin	2	6	19	4	35
Ashley Highfield	2	2	11	4	34
Pat Loughrey	9	76	111	10	–
Peter Salmon	5	22	67	4	21
Richard Sambrook	25	79	321	13	–
John Smith	7	78	83	15	–
Michael Stevenson	2	12	19	4	18
Caroline Thomson	3	42	35	5	16
Alan Yentob	11	99	211	14	–
Gareth Jones	–	29	4	1	5
Philip Langsdale	–	2	–	–	–
Margaret Salmon	2	76	142	4	–
Mark Thompson	6	70	73	11	–

Gavyn Davies has waived his entitlement to pension benefits from the BBC.

No additional voluntary contributions are included above.

The total accrued pension at 31 March 2001 for Sir Christopher Bland was £6,000. An amount of £20,000 was provided to meet the BBC's pension contributions in 2000/2001 and 2001/2002 under the Charter to former Chairmen and their surviving spouses.

The total accrued pension at 31 March 2001 for Greg Dyke was £2,000. The BBC contribution to money purchase schemes for the year ended 31 March 2001 was £51,000 for Greg Dyke and £158,000 for the other Executive Committee members in aggregate.

The total accrued pensions for Sir Christopher Bland, Gareth Jones, Philip Langsdale and Mark Thompson have been calculated as at 30 September 2001, 10 June 2001, 1 April 2001 and 12 December 2001 respectively being the dates they resigned as directors. The total accrued pension for Margaret

Salmon has been calculated at her date of retirement which was 30 June 2001 rather than the date she resigned as a director (30 April 2001).

Notes to pension benefits

- a) The increase in accrued pension during the year excludes any increase for inflation.
- b) The pension entitlement shown is that which would be paid annually based on service to the end of the year.
- c) The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- d) The transfer value represents the cost to the pension scheme of the increase in annual pensions but not a sum paid or due to the individual and therefore cannot be meaningfully added to remuneration.
- e) These are contributions made by the Chairman and Executive Committee members to the defined benefits scheme during the 2001/2002 financial year.
- f) 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 2000 to 31 March 2001 has not yet been published but current indications are that while the BBC has achieved a satisfactory range and diversity of independent productions, it will just miss the 25% target for independent production.

Recent takeovers by broadcasters of major independent producers has had the effect of removing their status as independents for the purpose of UK legislation and makes it increasingly difficult for the BBC and other broadcasters to meet this quota. If such production companies had been counted towards the 2000/2001 total, the BBC would have met its target. The DCMS has acknowledged this issue and has undertaken to amend the relevant secondary legislation to reinstate companies such as Endemol, which are significant suppliers to the BBC but which had their status changed following a takeover by a foreign broadcaster.

EU programme quotas in the calendar year 2001

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 2001. Of the relevant BBC One and BBC Two output, 79% was of European origin (72% in 2000) and 11% was made by European independent producers (17% in 2000). Of the

relevant output of all BBC channels (including BBC Choice, BBC Knowledge – now BBC Four – and BBC News 24), 88% was of European origin and 20% was made by European independent producers. The figures for 2000 were 88% and 15% respectively.

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 OFT 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 2001 to 31 March 2002 the total for all BBC magazines (including *Radio Times*) was 2 hours, 25 minutes and 30 seconds of transmission (2000/2001 1 hour, 39 minutes), which averages out at 2 minutes, 45 seconds in a seven-day period (2000/2001 1 minute, 54 seconds). The restriction only applies to BBC magazines. The BBC, however, voluntarily applies the spirit of the undertaking to all BBC Worldwide Limited products. During 2001/2002 the weekly total for all BBC Worldwide Limited products has averaged 5 minutes, 1.9 seconds (2000/2001 4 minutes, 11 seconds), well within the seven-minute restriction.

European Channel Broadcasting Limited

Under DCMS approval for BBC Worldwide Limited dated 23 February 2001 (replacing earlier approvals) it is a requirement that arm's length trading relationships be maintained between the Corporation on the one hand and BBC Worldwide Limited, and the two companies responsible for the BBC World and BBC Prime Channels in Europe on the other. The BBC's Fair Trading Policy was applied and arm's length relationships were maintained throughout the year.

On 7 October 1999, the ITC 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. 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

The BBC does not make political donations. In addition to broadcast appeals detailed on page 49, donations to charities by BBC Worldwide Limited amounted to approximately £8,500 during the year (2001 £19,000), including £3,000 to the Diana, Princess of Wales Memorial Fund.

The BBC acknowledges financial grants from the European Commission for various technical research projects.

Financial review

The BBC is in good financial health. We are spending much more on programmes and have launched several new services.

We financed the extra spending partly from an above-inflation licence fee increase, but mostly from self-help measures. These included reductions in licence fee evasion, reductions in overheads and increased contributions from our commercial subsidiaries.

Income

Licence fee

The licence fee is our most important source of income. In 2001/2002 it provided £2,533million, up £162million on the previous year. Of this, £43million was raised from our own improvements in collection effectiveness. The rest came from inflation (£83million) and the above-inflation settlement (£35million) agreed last year by the Government. This RPI +1.5% annual increase in the licence fee will continue until Charter renewal.

The improvements in collection of the licence fee saw evasion fall to a record low. However, the DCMS has revised the way evasion is calculated to include businesses and other official premises in addition to the traditional catchment of households. This new calculation shows a much bigger opportunity for licence fee sales in the next few years. Under the new method evasion fell from 8.8% at the start of the year to 7.9% at 31 March 2002.

During the year we appointed a new main contractor for licence collection, Capita. The change in contractor saw a significant reduction in collection costs including a rebate from Consignia for non-performance of contractual obligations. Next year the BBC will be investing in a new database which Capita will operate and maintain on its behalf.

Commercial earnings

As part of the current licence fee settlement, the Government challenged the BBC to increase the amount it raised from commercial operations. This year the three commercial subsidiaries have together contributed £130million in cash to the BBC and generated savings in support costs of over £12million for the BBC. Next year the newly incorporated BBC Broadcast Limited, offering playout and channel management services, will also contribute to the BBC's finances.

BBC Worldwide Limited

The BBC's programmes are a valuable asset. BBC Worldwide, which is wholly owned, generates commercial income from the distribution of television programmes, the operation of commercial channels and the publishing of magazines, books, videos, DVDs, audio tapes, CDs and other licensed products.

BBC Worldwide increased its sales by 12% to £660million and its profit before interest and taxation increased to £25.7million. However, its importance to the BBC lies in the £106million cash it returned this year, the majority of which is invested directly into programmes.

In 1997 we set a target for BBC Worldwide to quadruple its cash flow to the BBC to £210million by 2007. This year's result means that BBC Worldwide is exactly on track to achieve that target.

BBC Resources Limited

BBC Resources has made significant progress following its restructuring at the end of last year when some of the business was transferred into BBC Technology Limited and into BBC Nations & Regions operations. Its activities are now focused on the traditional programme facilities areas of studios, outside broadcasts, post-production and graphic design.

Although BBC Resources recorded a small loss for the year, it was cash positive for the first time, contributing £8million in cash for the BBC to use in programme making. The business expects to record its first profit next year.

BBC Technology Holdings Limited

BBC Technology commenced trading on 31 March 2001, providing technological solutions in media, broadcast and interactive applications to the BBC and external customers. It has had a successful first year in which, despite difficult market conditions, it achieved its business plan and contributed £16million of cash to the BBC. This business also expects to record a profit next year.

Costs

We promised to increase the percentage of licence fee income spent on programmes from 76% to 85% by 2004. We actually achieved 85% this year, a full two years early.

This year we started to see the results from the new single SAP accounting and business system, which halves the cost of financial management and has also led to a reduction in procurement costs of £10million.

This, together with other savings across the BBC, means that overheads are now £67million lower than two years ago and the BBC remains on course to achieve the target of reducing overheads by £166million by March 2004.

Spending on programmes

Programme spend increased by £270million in 2001/2002, mostly on drama and entertainment.

We also launched BBC Four, CBBC and CBeebies as new digital television channels, and BBC Five Live Sports Extra and 6 Music, new digital radio services.

We promised to increase programme spend by £450million in the two years to 2002/2003. We are on course to meet that target next year.

Spending on digital services was £330million, of which £100million was on BBCi (internet services). Over 87% continues to be focused on analogue.

Result for the year

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 ahead of increases in income.

Assets

Property

In October 2001 the BBC agreed a 30-year deal with Land Securities Trillium (LST) covering four million square feet of BBC property – over half the BBC's estate. It transfers the burden and risks of property management to LST, allowing the BBC to concentrate on programme making. It also reduces the BBC's property operating costs, provides funds for the property redevelopment programme and releases cash for the core broadcasting business. Through this deal the BBC will save £83million on its operating costs in the six years to 2006/2007.

The major strategy to upgrade the estate moved ahead in the year. Construction has begun at White City of half a million square feet of space. Planning applications are lodged with Westminster City Council for the redevelopment of Broadcasting House. New space has been secured for the BBC in Birmingham and Norwich and improvements have been made to the quality of several local radio buildings.

Cash

The cash balance remains high at £227million (in addition to the £130million of licence payers' advance deposits under the TV licence savings stamp scheme). Effective treasury management has contributed £22million in interest income this year. The healthy cash position enables the BBC to continue with the planned increase in programme spending in 2002/2003.

Pension fund assets

The balance sheet has significantly increased in value since our previous published financial statements. The application of new accounting rules now requires us to include the significant surplus on the BBC's pension scheme. This surplus fell from £1,708million at 31 March 2001 to £965million at 31 March 2002, mainly reflecting the general fall in equity market values. The surplus continued to allow the BBC and pension fund members to contribute at a low rate for now and the scheme is continuing as a final salary 'defined benefit' scheme.



John Smith

Director of Finance, Property & Business Affairs

Financial statements

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 compliance with these on pages 60 to 69.

These financial statements are available online. Copies may also be obtained by writing to The Secretary, BBC, Broadcasting House, Portland Place, London W1A 1AA. In line with other UK companies, we publish and file with Companies House audited financial statements for all our subsidiaries.

Consolidated statement of income and expenditure

for the year ended 31 March

	Note	2002 £m	2001 as restated £m
Income	1	3,382.9	3,164.5
Operating expenditure	2	(3,556.3)	(3,294.3)
Group operating deficit*		(173.4)	(129.8)
Share of operating surplus of associates and joint ventures		1.4	0.9
Operating deficit	3	(172.0)	(128.9)
Profits and losses on sale and termination of operations	5	7.7	18.2
Profit on disposal of fixed assets	6	11.7	–
Deficit before interest and taxation		(152.6)	(110.7)
Net interest receivable	7	21.6	25.8
Other finance income (from defined benefit pension scheme)	8	133.9	169.5
Surplus before taxation		2.9	84.6
Taxation	9	(17.7)	(9.6)
Minority interest		(1.1)	0.5
(Deficit)/surplus for the financial year	19	(15.9)	75.5

The income and expenditure account for 2001 has been restated for the adoption of FRS 17 (see Note 26a).

The BBC has entered into certain joint ventures with Flextech and Discovery Communications Inc. but has no obligation to make good its share of their cumulative operating losses (see Note 14d).

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

The BBC does not aim to make a profit. Surpluses or deficits represent timing differences between income and expenditure in each accounting period.

* After charging £179.5million (2001 £156.8million) in respect of pension costs under FRS 17 (see Notes 4 and 8).

Balance sheets

at 31 March

	Note	Group 2002 £m	Group 2001 as restated £m	Home Services 2002 £m	Home Services 2001 as restated £m
Fixed assets					
Intangible fixed assets	10	15.4	0.5	–	–
Tangible fixed assets	12	760.8	817.0	520.8	466.4
Investment in programmes for future sale	13	111.8	117.2	–	–
Other investments	14	16.8	1.8	299.2	339.5
		904.8	936.5	820.0	805.9
Current assets					
Stocks	15	449.4	397.6	425.3	378.0
Current debtors	16	663.6	648.2	542.8	544.7
Long-term debtors	16	137.2	47.8	113.8	44.8
Total debtors		800.8	696.0	656.6	589.5
Short-term investments	21	356.8	253.4	356.8	253.4
Cash at bank and in hand	21	0.3	117.9	–	80.3
		1,607.3	1,464.9	1,438.7	1,301.2
Creditors – amounts falling due within one year	17	(871.2)	(844.6)	(767.9)	(657.7)
Net current assets		736.1	620.3	670.8	643.5
Total assets less current liabilities		1,640.9	1,556.8	1,490.8	1,449.4
Creditors – amounts falling due after more than one year	17	(102.5)	(51.3)	(46.1)	(21.7)
Provisions for liabilities and charges	18	(82.6)	(53.2)	(74.6)	(48.3)
Net assets excluding pension asset and liability		1,455.8	1,452.3	1,370.1	1,379.4
Pension asset	8	965.0	1,708.0	–	–
Pension liability	8	(3.9)	(3.7)	–	–
Net assets		2,416.9	3,156.6	1,370.1	1,379.4
Represented by					
Operating reserve excluding pension asset and liability	19	646.2	654.5	561.1	581.1
Pension reserve	19	961.1	1,704.3	–	–
Operating reserve		1,607.3	2,358.8	561.1	581.1
Capital reserve	19	802.6	791.1	802.6	791.1
Revaluation reserve	19	6.4	7.2	6.4	7.2
		2,416.3	3,157.1	1,370.1	1,379.4
Minority interest		0.6	(0.5)	–	–
		2,416.9	3,156.6	1,370.1	1,379.4

The balance sheets have been restated for the adoption of FRS 17 (see Note 26a).

The BBC has entered into certain joint ventures with Flextech and Discovery Communications Inc. but has no obligation to make good its share of the net liabilities which at 31 March 2002 amounted to £82.5million (2001 £88.2million). These liabilities have not been included in the financial statements (see Note 14d).

The financial statements were approved by the Governors and Executive Committee on 20 June 2002 and signed on their behalf by:

Gavyn Davies *Chairman*

Greg Dyke *Director-General*

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

Statement of total recognised gains and losses

for the year ended 31 March

	Note	2002 £m	2001 as restated £m
Group (deficit)/surplus for the financial year		(15.9)	75.5
Exchange differences on retranslation of overseas subsidiaries		0.5	2.4
Actuarial loss on defined benefit pension schemes	8b	(725.4)	(708.2)
Total recognised gains and losses relating to the year		(740.8)	(630.3)
Prior year adjustment for the adoption of FRS 17	26a	1,751.5	
Total recognised gains and losses since the previous financial year		1,010.7	

The 2001 figures have been restated for the adoption of FRS 17 (see Note 26a).

Reconciliation of movement in reserves

for the year ended 31 March

	Group 2002 £m	Group 2001 as restated £m	Home Services 2002 £m	Home Services 2001 as restated £m
(Deficit)/surplus for the financial year	(15.9)	75.5	(9.3)	32.5
Other recognised gains and losses relating to the year (net)	(724.9)	(705.8)	–	–
(Decrease)/increase in reserves during the year	(740.8)	(630.3)	(9.3)	32.5
Opening reserves as previously stated	1,405.6	1,395.6	1,344.6	1,335.6
Prior year adjustment for the adoption of FRS 17	1,751.5	2,391.8	34.8	11.3
Opening reserves as restated	3,157.1	3,787.4	1,379.4	1,346.9
Closing reserves	2,416.3	3,157.1	1,370.1	1,379.4

The 2001 figures have been restated for the adoption of FRS 17 (see Note 26a).

Consolidated cash flow statement

for the year ended 31 March

	Note	2002 £m	2001 £m
Net cash inflow from operating activities	20	217.5	129.0
Dividends received from joint ventures and associates		1.1	–
Return on investments and servicing of finance			
Interest received		24.9	26.3
Interest paid		(2.8)	(2.1)
Net cash inflow from return on investments and servicing of finance		22.1	24.2
Taxation			
Taxation paid		(13.9)	(14.8)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(194.2)	(140.8)
Investment in programmes for future sale		(83.2)	(76.3)
Investment in intangible fixed assets		(8.7)	–
Proceeds from the sale of investments		0.6	–
Proceeds from sale of investment in programmes		5.9	–
Proceeds from the sale of tangible fixed assets		46.8	2.3
Net cash outflow from capital expenditure		(232.8)	(214.8)
Acquisitions and disposals			
Purchase of a subsidiary net of overdrafts acquired	11	(9.1)	(0.6)
Investments in joint ventures		(11.4)	–
Proceeds from sale of operations	5	9.0	18.7
Net cash (outflow)/inflow from acquisitions and disposals		(11.5)	18.1
Net cash outflow before use of liquid resources and financing		(17.5)	(58.3)
Management of liquid resources			
Net cash withdrawn from deposit	21	15.0	2.5
(Purchase)/sale of other liquid resources	21	(103.4)	4.2
Net cash (outflow)/inflow from management of liquid resources		(88.4)	6.7
Financing			
Increase in loans	21	10.3	–
Repayment of loans	21	–	–
Net cash inflow from financing		10.3	–
Decrease in cash	21, 22	(95.6)	(51.6)

The decrease in cash shown here is due to the BBC policy of investing surplus cash in short-term liquid investments. Taking cash and short-term investments together, the BBC's funds at 31 March 2002 remain at a similar level to 31 March 2001 (see Note 21).

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 below to explain the technical aspects of the accounting treatment in plain English.

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 which is 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 Group has also fully adopted FRS 17, *Retirement benefits*, early. FRS 17 requires a different accounting policy for the recognition of pension costs in the financial statements compared with its predecessor, SSAP 24. Accordingly the 2001 financial statements have been restated onto a comparable basis. Note 26a provides more details of the effect of this change in accounting policy.

The BBC chooses to adopt all accounting standards early.

Basis of consolidation

The BBC Group comprises the Home Services and those subsidiaries incorporated to act solely on behalf of, and for the benefit of, the Home Services (notably Centre House Productions Limited and BBC Property Limited), BBC World Service, and the BBC's commercial subsidiary companies, BBC Worldwide Limited (BBC Worldwide), BBC Resources Limited (BBC Resources) and BBC Technology Holdings Limited (BBC Technology). 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 between 20% and 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of profits less losses of associates and joint ventures is included in the consolidated statement of income and expenditure and its interest in their net assets is included in the consolidated balance sheet.

A separate statement of income and expenditure 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 the Home Services, BBC World Service and 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 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 BBC World Service.

Intangible fixed assets

Goodwill

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

Intellectual property rights

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

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, DVDs and character merchandise.

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

BBC World Service income, primarily derived from a 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.

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 60 to 62 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.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at 31 March or at forward rates where related hedging contracts are in place.

Surpluses and deficits arising from the translation of assets and liabilities at these rates of exchange, together with exchange differences arising from trading, are included in the 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 retranslated 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 pension schemes for the benefit of employees.

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.

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. The assets of the BBC's main scheme are held separately from those of the Group.

As noted above, the BBC has adopted FRS 17, *Retirement benefits*, early and now recognises the position of the scheme at the balance sheet date. The impact on the results and the financial position of the Group is disclosed in Note 26a. 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. This means 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 each year.

The Home Services have taken 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 reasonable and consistent basis. The expenditure charge under FRS 17 for the Home Services therefore represents the contributions payable in the year.

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.

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	– fifty years
Short-leasehold land and buildings	– unexpired lease term

Plant and machinery

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

Furniture and fittings

– three to ten years

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).

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.

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.

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 asset and borrowing are included separately 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 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.

Financial instruments

The Group does not enter into speculative derivative contracts. Some hedging contracts are undertaken in order to limit the Group's exposure to foreign exchange fluctuations. (The accounting treatment for these contracts is explained in the foreign currency translation accounting policy).

Disclosure of the Group's loans and other financial assets and liabilities is provided within the notes to the financial statements covering debtors, creditors and cash and debt balances.

Notes to the financial statements

for the year ended 31 March

Note 1 provides analysis of the different business areas within the BBC.

The Home Services Group comprises the UK public service broadcasting operation, the Home Services and those subsidiary companies incorporated to act solely on behalf of the Home Services.

BBC Worldwide Limited (BBC Worldwide) generates income from the BBC's programme assets through the distribution of television programmes, the operation of commercial channels and the publishing of magazines, books, videos and other licensed products.

BBC Resources Limited (BBC Resources) and BBC Technology Holdings Limited (BBC Technology) and their subsidiaries provide equipment, facilities and services to the BBC and external customers.

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

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

		Public services		Commercial businesses		
	Note	Home Services Group £m	BBC World Service £m	BBC Worldwide £m	BBC Technology and BBC Resources £m	Total £m
2002						
Total income		2,698.2	211.1	659.8	357.4	3,926.5
Less:						
Intra Group income		(130.3)	(0.4)	–	(331.3)	(462.0)
Less:						
Share of joint ventures		–	–	(81.6)	–	(81.6)
Group external income	<i>1b,f</i>	2,567.9	210.7	578.2	26.1	3,382.9
(Deficit)/surplus before interest and taxation	<i>1d</i>	(30.8)	9.4	25.7	(5.4)	(1.1)
Defined benefit pension scheme						
– additional operating costs**						(151.5)
– other finance income*						133.9
Net interest receivable*						21.6
Surplus before taxation and minority interest						2.9
Net assets (excluding pension asset and liability)		1,083.7	134.3	113.0	124.8	1,455.8
Pension asset (net)**						961.1
Net assets						2,416.9
2001 as restated						
Total income		2,734.7	204.5	587.2	324.7	3,851.1
Less: Intra Group income		(328.4)	–	–	(290.6)	(619.0)
Less: Share of joint ventures		–	–	(67.6)	–	(67.6)
Group external income	<i>1b,f</i>	2,406.3	204.5	519.6	34.1	3,164.5
(Deficit)/surplus before interest and taxation	<i>1d</i>	(4.2)	11.2	24.7	(9.3)	22.4
Defined benefit pension scheme						
– additional operating costs**						(133.1)
– other finance income*						169.5
Net interest receivable*						25.8
Surplus before taxation and minority interest						84.6
Net assets (excluding pension asset and liability)		1,162.9	124.5	95.4	69.5	1,452.3
Pension asset (net)*						1,704.3
Net assets						3,156.6

The 2001 figures have been restated for the adoption of FRS 17 (see Note 26a).

* As permitted by FRS 17 these items are not split between business classes because they are managed centrally across the whole Group and it is not possible to allocate them on a reasonable and consistent basis.

† The actual employer cash contribution to the defined benefit pension scheme is included in the (deficit)/surplus before interest and tax of each entity. The additional operating cost is the cost to the Group over and above these cash contributions.

1b Analysis of public services' income

	Note	Home Services Group £m	BBC World Service £m	Total public services £m
2002				
Licence fee	1c	2,533.0	–	2,533.0
Grant-in-Aid		–	187.9	187.9
Open University		7.7	–	7.7
Subscriptions		–	15.6	15.6
Other income		27.2	7.2	34.4
Total external income		2,567.9	210.7	2,778.6
2001				
Licence fee		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
Total external income		2,406.3	204.5	2,610.8

Other income includes the provision of content and services to overseas broadcasters, concert ticket sales and exploitation of our programme archive.

1c Licence fee

	2002 £m	2001 £m
Licence fee income		
Colour	2,164.3	2,052.3
Monochrome	3.4	4.2
Concessionary	0.8	2.3
Over 75s	350.0	307.7
Quarterly payment scheme premium	16.3	16.5
Other licence fee income and adjustments	(1.8)	(12.2)
	2,533.0	2,370.8

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 (2001 3.3 million) colour licences were issued under the quarterly payment scheme at a premium of £5 each (2001 £5).

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

	2002 Number m	2001 Number m
Licences in force		
Colour	19.9	19.7
Monochrome	0.1	0.1
Over 75s	3.6	3.1
Concessionary	0.2	0.5
	23.8	23.4

Households in which one or more persons over the age of 75 reside, as their primary residence, are entitled to a free licence. The BBC is reimbursed for these free licences by the Department of Work and Pensions.

Licence fees are set by the Department of Culture, Media and Sport.

	2002 £	2001 £
Licence fees		
Colour	109.00	104.00
Monochrome	36.50	34.50
Concessionary	5.00	5.00

From 1 April 2002 the colour and monochrome licence fees were increased to £112 and £37.50 respectively. The concessionary licence remained at £5.

1d Analysis of public services' surplus/(deficit) before interest and taxation by activity

The Home Services have one principal activity which is the provision of public service broadcasting in the UK.

BBC World Service's surplus before interest and taxation is analysed as follows:

	2002 £m	2001 as restated £m
Broadcasting	8.6	10.1
BBC Monitoring	0.8	1.1
Total surplus before interest and taxation	9.4	11.2

The 2001 figures have been restated for the adoption of FRS 17 (see Note 26a).

1e Geographical analysis of activity of public services

The public services income and surplus or deficit arises in the UK. The net assets used by the public services are located in the UK with the exception of BBC World Service net assets of £84.1million (2001 £77.6million) located overseas.

1f Analysis of commercial businesses' income by activity

	2002	2001
Publishing and new media	331.7	300.2
Programme distribution	172.3	150.0
Channels	46.3	41.7
BBC World	25.5	25.6
beeb Ventures Limited	2.4	2.1
Provision of programme making facilities and services	148.9	324.7
Provision of technology services	208.5	–
Less intra-Group income	(331.3)	(290.6)
Total external income	604.3	553.7
Share of joint ventures	81.6	67.6
	685.9	621.3

The reduction in commercial income from the provision of programme making facilities and services is due to the re-integration of a significant part of BBC Resources into the Home Services in April 2001.

Technology services were provided by a division of the Home Services in 2001. These services are now provided by BBC Technology.

This table shows where the customers of our commercial businesses are based. All commercial income arises in the UK as this is where BBC Worldwide acquires the rights it exploits and where the skills and services of BBC Technology and BBC Resources are developed.

1g Geographical analysis of activity of commercial businesses

	United Kingdom £m	Americas £m	Rest of the world £m	Total £m
2002				
Income by destination	348.6	110.5	145.2	604.3
Surplus before interest and taxation	6.9	0.7	12.7	20.3
Net assets	195.4	42.4	–	237.8
2001 as restated				
Income by destination	330.3	85.7	137.7	553.7
Surplus before interest and taxation	6.9	5.1	3.4	15.4
Net assets	126.9	38.0	–	164.9

The 2001 figures have been restated for the adoption of FRS 17 (see Note 26a).

2 Operating expenditure

2a Analysis of operating expenditure by activity

	Note	Total 2002 £m	Total 2001 as restated £m
Home Services Group	2b	2,602.1	2,410.5
BBC World Service	2c	204.6	193.3
BBC Worldwide	2d	568.9	514.0
BBC Technology and BBC Resources	2d	29.2	43.4
Additional defined benefit pension scheme operating costs		151.5	133.1
		3,556.3	3,294.3

The 2001 figures have been restated to reflect the adoption of FRS 17 (see Note 26a).

As permitted by FRS 17 the non-cash operating costs are not split between the business activities as it is not possible to do this on a reasonable and consistent basis.

BBC World Service expenditure of £204.6million excludes £0.4million of expenditure on intra-Group activities.

2b Home Services Group expenditure

	2002 £m	2001 as restated £m
Analogue services		
BBC One	961.7	919.7
BBC Two	410.5	397.9
National and Regional Television	252.3	199.7
National, Regional and Local Radio	164.3	160.0
BBC Radio 1	38.1	41.1
BBC Radio 2	42.7	39.2
BBC Radio 3	52.6	53.3
BBC Radio 4	89.6	84.4
BBC Radio Five Live	77.0	68.9
Asian Network	1.5	1.2
	2,090.3	1,965.4
Digital services		
CBBC, CBeebies	19.7	2.2
BBC Choice	52.6	43.3
BBC News 24	50.3	47.6
BBC Parliament	3.9	3.3
BBC Four (previously BBC Knowledge)	32.4	18.6
Digital text and interactive television	11.2	10.2
Digital Radio	7.8	4.4
BBCi on the internet	100.4	54.2
	278.3	183.8
Licence fee collection costs	95.4	131.9
Transmission costs	127.2	118.3
Home Services – broadcasting expenditure	2,591.2	2,399.4
– non-broadcasting expenditure	10.9	11.1
Total	2,602.1	2,410.5

The figures for 2001 have been restated to reflect the adoption of FRS 17 (see Note 26a).

£0.7million (2001 £2.2million) relating to the block of children's programmes previously shown on BBC Choice have been removed from the costs of BBC Choice and restated against the new children's channels launched in February 2002.

2b Home Services Group expenditure *continued*

In addition £2.4million (2001 £10.1million) of BBC One and BBC Two Digital costs previously reported within Digital Services have been included with the analogue service costs for 2001 and 2002. This represents the cost of playout and special equipment which has become standard for all services.

There was increased investment in national and regional television to deliver a richer mix of drama, entertainment and popular factual output.

The expenditure on Radio 1 in 2000/2001 includes the cost of a significant marketing campaign which was not repeated in 2001/2002. Investment in programme output is consistent across the two years.

BBC Choice output has included a higher level of original drama and entertainment in 2002.

BBC Four was launched in March 2002. Costs are significantly higher than those of BBC Knowledge due to high levels of original programming as well as one-off launch costs.

Investment increased in BBCi on the internet (formerly BBC Online) to improve websites which support and enhance other programme output and to develop the BBC digital curriculum.

Licence fee collection costs have been significantly reduced in 2002 by a rebate from Consignia for non-performance of contractual obligations. The BBC expects to spend this amount in 2003 on a new database. Savings have also been made in the costs associated with the change in the licence fee collection contractor which we anticipated and set aside in 2001. Further savings have been achieved through more focused marketing activity.

Of the transmission costs, £52.5million relate to digital services and £74.7million to analogue services.

The principal elements of the non-broadcasting expenditure are Open University Production Centre, BBC Property Limited and Centre House Productions Limited costs.

2c BBC World Service expenditure

	2002 £m	2001 as restated £m
Radio	142.1	136.7
Monitoring	22.6	21.3
Transmission costs	30.6	30.2
Internet activity	9.3	5.1
Total	204.6	193.3

The figures for 2001 have been restated to reflect the adoption of FRS 17 (see Note 26a).

The expenditure shown for commercial businesses relates only to commercial income and excludes expenditure relating to sales within the BBC.

2d Commercial businesses' expenditure

	Note	BBC Worldwide		BBC Technology and BBC Resources	
		2002 £m	2001 as restated £m	2002 £m	2001 as restated £m
Cost of sales		299.4	270.6	24.0	27.9
Distribution costs		147.0	135.7	–	–
Administrative and other costs		36.1	32.9	5.2	15.5
Amortisation of programme investment	13	86.4	74.8	–	–
		568.9	514.0	29.2	43.4

The figures for 2001 have been restated to reflect the adoption of FRS 17 (see Note 26a).

3 Operating deficit

The operating deficit is stated after charging the following items:

	2002 £m	2001 £m
Payments under operating leases:		
– land and buildings	26.4	22.9
– plant and machinery	9.6	8.7
– other	18.4	22.8
Research and development	15.2	14.6
Programme development	23.7	21.4
Depreciation		
– owned assets	121.8	114.8
– leased assets	10.9	–
Loss on disposal of tangible fixed assets	1.4	6.5
Amortisation of investment in programmes for future sale	86.4	74.8
Amortisation of intangible fixed assets	1.4	–
Auditors' remuneration:		
– financial audit – Home Services	0.4	0.4
– other	0.5	0.5
– consultancy and advisory	0.7	0.5
Fair trading auditors' remuneration	0.3	0.3

4 Employees and remuneration

4a Persons employed

The average number of persons employed in the year was:

	Average for the year	
	2002 Number	2001 Number
Home Services Group	18,606	16,808
BBC World Service	1,797	1,696
BBC Worldwide	2,170	1,958
BBC Technology and BBC Resources	2,995	3,667
Group total	25,568	24,129

Within the averages above, 2,166 (2001 2,015) part-time employees have been included at their full-time equivalent of 1,238 (2001 1,176).

In addition to the above, the Group employed an average full-time equivalent of 1,043 (2001 1,113) persons on a casual basis and the BBC Orchestra and Singers, employed on programme contracts, numbered 382 (2001 374) full-time equivalent.

On 31 March 2001 the equivalent of 387 full-time employees transferred to BBC Technology from the Home Services. This transfer is not reflected in the average for 2001.

A further 1,035 employees (1,012 full-time equivalent) transferred from BBC Resources to the Home Services on 1 April 2001. This transfer is reflected in the average for 2002.

4b Staff costs

	Note	2002 £m	2001 as restated £m
Salaries and wages		895.1	823.4
Social security costs		77.9	73.2
Pension costs			
– main scheme (defined benefit)	8	177.2	154.0
– other schemes	8	2.3	2.8
Redundancy costs		29.6	34.6
		1,182.1	1,088.0
Comprising:			
Home Services Group		758.3	672.5
BBC World Service		65.4	61.5
BBC Worldwide		92.1	83.3
BBC Technology and BBC Resources		114.8	137.6
Main pension scheme additional operational cost (defined benefit)		151.5	133.1
		1,182.1	1,088.0

The 2001 figures have been restated for the adoption of FRS 17 (see Note 26a).

The actual employer cash contributions to the defined benefit pension scheme are borne by each business. The additional operating cost is the cost to the Group over and above these contributions. It is not possible to allocate this to each business on a reasonable and consistent basis.

4c Remuneration of the Board of Governors and Executive Committee

The emoluments of the Governors and of the Executive Committee members are disclosed on pages 66 to 69 in the Governors' remuneration report.

5 Profit and losses on sale and termination of operations

	2002 £m	2001 £m
beeb Ventures Limited		
– partial disposal	9.0	17.1
– termination cost	(1.3)	–
BBC for Business	–	1.1
	7.7	18.2

During 2002 the Group made a further partial disposal of shares in beeb Ventures Limited, the subsidiary owning its internet retail site beeb.com and the internet service provider beeb.net. The transaction gave rise to income totalling £9.0million in the year (2001 £20.2million) against which a cost of £nil was incurred (2001 £3.1million).

Profits on these partial disposals of beeb Ventures Limited were part of a linked arrangement with a third party, under which profits on a partial disposal were structured to offset start-up operating losses of this company.

Subsequently, on 22 April 2002 BBC Worldwide announced its intention to terminate the beeb.com business and exit the internet shopping sector. Certain beeb.com websites will be integrated into BBC Worldwide's core operations, operating as marketing rather than transactional websites. Following this decision, termination costs of £1.3million have been provided for in the income and expenditure account in the year ended 31 March 2002.

6 Profit on disposal of fixed assets

6a Profit on disposal of intangible fixed assets

During 2002 the Group disposed of its remaining rights in the *Noddy* and *Wallace and Gromit* brands, together with trademarks associated with *The Clothes Show*. These intangible fixed asset disposals gave rise to net profits totalling £7.3million.

6b Profit/loss on disposal of tangible fixed assets

During 2002 BBC World Service sold a property in Singapore which had been fully depreciated. This transaction realised a profit of £3.3million. The sales proceeds were reinvested in the new transmitter site in Oman, with the agreement of the Foreign and Commonwealth Office.

BBC Technology disposed of various fixed assets resulting in a loss of £2.3million during the year.

6c Profit on disposal of investments

During 2002 the Eurosport Consortium, in which the BBC holds an interest, disposed of its 50% shareholding in SETS (which owns the Eurosport trademark) to TF1, a French broadcasting company, resulting in a net profit to the Group of £3.4million.

7 Net interest receivable

	2002 £m	2001 £m
Interest receivable	24.6	27.9
Interest payable on bank and other loans	(2.8)	(2.1)
Finance charges payable in respect of finance leases	(0.2)	–
Net interest receivable	21.6	25.8

8 Pensions

8a Pension charge

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. Additionally a Group personal pension scheme and other small schemes provide staff with a defined contribution scheme. The total pension charge included within operating costs for the year under all schemes is £179.5million (2001 £156.8million).

8b 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. An interim valuation has been produced by Watson Wyatt as at 31 March each year. The major assumptions used by the actuary at each valuation were:

	2002	2001	2000
Rate of increase in salaries	4.7%	4.5%	5.0%
Rate of increase in pension payments	2.7%	2.5%	3.0%
Inflation assumption	2.7%	2.5%	3.0%
Discount rate	6.0%	6.0%	6.2%

Under this scheme the employees receive a pension based on their final salary. The BBC must ensure that the pension fund is adequately funded to meet future pension payments.

An estimate of future inflation and salary increases is used to forecast the cost of funding future pensions of pension scheme members.

This table shows the value of the assets owned by the pension scheme and the rate of growth the trustees expect in the following year.

8b Pensions *continued*

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 March 2002	Value at 31 March 2002 £m	Long-term rate of return expected at 31 March 2001	Value at 31 March 2001 £m	Long-term rate of return expected at 31 March 2000	Value at 31 March 2000 £m
Equities	7.5%	4,421	7.0%	4,655	7.0%	5,291
Bonds and gilts	5.2%	908	4.7%	939	5.0%	969
Property	6.3%	606	6.0%	606	6.0%	548
Cash	4.7%	284	4.5%	279	5.0%	299
Total market value of assets		6,219		6,479		7,107
Present value of scheme liabilities		(5,254)		(4,771)		(4,730)
Surplus in the scheme		965		1,708		2,377
Related deferred tax liability		-		-		-
Net pension asset		965		1,708		2,377

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.

The current service cost is the cost to the BBC of pension rights earned by employees in the year.

The amounts here are estimates based on predictions of future performance and economic conditions.

The actuarial gains and losses are those resulting from actual performance being different from that predicted – for example from changes in economic conditions or the demographic profile of BBC employees.

	2002 £m	2001 £m
Analysis of amount charged to operating expenditure		
Current service cost	132.3	138.3
Past service cost	44.9	15.7
Total operating charge	177.2	154.0
Analysis of amount credited to other finance income		
Expected return on pension scheme assets	416.4	457.9
Interest on pension scheme liabilities	(282.5)	(288.4)
Net return	133.9	169.5
Analysis of amount recognised in statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	(532.0)	(950.9)
Experience gains and losses arising on the scheme's liabilities	26.6	35.7
Changes in assumptions underlying the present value of the scheme liabilities	(220.0)	207.0
Actuarial loss recognised in the statement of total recognised gains and losses	(725.4)	(708.2)
Movement in surplus during the year		
Surplus in scheme at beginning of year	1,708.0	2,377.0
Movement in year:		
– current service cost	(132.3)	(138.3)
– contributions	25.7	23.7
– past service costs	(44.9)	(15.7)
– other finance income	133.9	169.5
– actuarial loss	(725.4)	(708.2)
Surplus in scheme at end of year	965.0	1,708.0

The full actuarial valuation at 31 March 1999 showed the market value of the assets of the scheme to be £6,294million, sufficient to cover 114% of the benefits due to members. There have been no significant changes to members' benefits since that time. Contributions have remained steady at 4.5% of pensionable pay. It has been agreed with the trustees that contributions will remain at that level for the next year.

This note is designed to show trends over several years. Only two years are currently available since the adoption of FRS 17.

8b Pensions *continued*

History of experience gains and losses	2002	2001
Difference between the expected and actual return on scheme assets:		
Amount (£million)	532.0	950.9
Percentage of scheme assets	8.6%	14.7%
Experience gains and losses on scheme liabilities:		
Amount (£million)	(26.6)	(35.7)
Percentage of the present value of the scheme liabilities	0.5%	0.7%
Total amount recognised in the statement of total recognised gains and losses:		
Amount (£million)	725.4	708.2
Percentage of the present value of the scheme liabilities	13.8%	14.8%

Home Services

The Home Services have taken advantage of the provisions within FRS 17 and account for the scheme as if it were a defined contribution scheme. This is because it is not possible to identify their share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. The expenditure charge for Home Services therefore represents the contributions payable in the year. These contributions benefit from the surplus in the scheme and are lower than the regular cost.

8c Other schemes

The small unfunded pension scheme is valued using assumptions which are the same as those for the main scheme. At 31 March 2002 the obligation was £3.9million (2001 £3.7million) which is fully provided for in the accounts. The current cost for the year for this scheme was £0.2million (2001 £0.8million).

The total charge for the Group personal pension scheme and other defined contribution schemes totalled £2.1million (2001 £2.0million).

9 Taxation

9a Analysis of charges for the period

The charge for the year, based on a rate of corporation tax of 30% (2001 30%), comprised:

	Note	2002 £m	2001 £m
Current tax			
UK corporation tax		9.8	9.2
Adjustments in respect of previous years		–	(5.9)
		9.8	3.3
Foreign tax		7.6	6.3
Share of associates tax		0.3	0.3
Total current tax	9b	17.7	9.9
Deferred tax			
Origination and reversal of timing differences		2.8	1.8
Adjustments in respect of previous years		(2.8)	(2.1)
Total deferred tax	9d	–	(0.3)
Charge for the year		17.7	9.6

9b 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. The BBC does not therefore receive relief for all its expenditure, and the tax assessed for the year consequently differs from the standard rate of corporation tax in the UK. The differences are explained below:

	<i>Note</i>	2002 £m	2002 £m	2001 £m	2001 as restated £m
Surplus before tax			2.9		84.6
Surplus before tax multiplied by standard rate of corporation tax in the UK of 30% (2001 30%)			0.9		25.4
Effects of					
Public services taxable external income			6.5		7.5
FRS 17 net Group pension charge/(credit)			5.2		(10.9)
Prior year adjustment for adoption of FRS 17	26a		-		(9.5)
<i>Commercial activities</i>					
Non-taxable income		(3.9)		(4.5)	
Disallowed expenditure		1.6		1.6	
Depreciation in excess of capital allowances		1.8		1.5	
Non-taxable profit on sale of shares		-		(1.5)	
Tax losses not Group relieved		1.4		3.4	
Tax differential re overseas earnings		4.4		2.1	
Other		(0.2)		0.7	
Adjustments in respect of previous periods		-		(5.9)	
			5.1		(2.6)
Current tax charge for the year	<i>9a</i>		17.7		9.9

The 2001 figures have been restated for the adoption of FRS 17 (see Note 26a).

9c 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.

9d Deferred tax analysis

In accordance with FRS 19, *Deferred tax*, the Group provides for all deferred tax liabilities in full but does not recognise deferred tax assets.

	<i>Note</i>	2002 £m	2001 £m
Deferred tax provision			
Provision at start of year		-	0.5
Exchange adjustment		-	(0.2)
Deferred tax (credit)/charge	9a	-	(0.3)
Provision at end of year		-	-
Deferred tax asset/(liability) not provided			
Accelerated capital allowances		1.5	0.2
Pension accruals		-	(1.0)
Other timing differences		0.8	-
US timing differences		1.8	0.8
		4.1	-

Goodwill is the difference between the value paid for a business and the fair value of its net assets. It represents the amount the purchaser is prepared to pay for the name and reputation of the business and its expected future profit streams.

10 Intangible fixed assets

	Intellectual property rights £m	Goodwill £m	Total £m
Cost			
At 1 April 2001	–	0.5	0.5
Additions	8.7	7.6	16.3
At 31 March 2002	8.7	8.1	16.8
Amortisation			
At 1 April 2001	–	–	–
Charge for the year	1.1	0.3	1.4
At 31 March 2002	1.1	0.3	1.4
Net book value			
At 31 March 2002	7.6	7.8	15.4
At 31 March 2001	–	0.5	0.5

Goodwill of £6.8million has arisen on the acquisition of Chivers Communications Limited (see Note 11).

An adjustment has been made to goodwill on Cover to Cover Cassettes Limited to reflect increased loan note obligations of £0.8million. The adjustment is included within additions for the year.

Goodwill is amortised on a straight line basis over 20 years reflecting the useful economic life, subject to reviews for impairment.

BBC Technology acquired the intellectual property rights to use software licences for £8.7million during the year. These are amortised on a straight line basis over three years reflecting the life of the licence.

11 Acquisitions

On 2 July 2001 the Group acquired 100% of the share capital of Chivers Communications Limited for £9.1million. In addition, further deferred consideration of £0.8million has been provided in respect of the acquisition of Cover to Cover Cassettes Limited, acquired on 1 December 2000.

	Fair value £m
Tangible fixed assets	0.6
Current assets	1.7
	2.3
Goodwill	7.6
Fair value of net assets acquired	9.9
Satisfied by:	
Cash consideration	9.1
Deferred consideration	0.8
Total consideration	9.9
The net outflow of cash in respect of the purchase of subsidiary undertakings is as follows:	
Cash consideration	9.1
Overdrafts of subsidiary undertakings purchased	0.9
	10.0

Chivers Communications contributed turnover of £10.3million and operating profit of £1.1million to the results for the year ended 31 March 2002. The company made an operating profit of £0.3million from the beginning of the financial year, 1 February 2001, to the date of acquisition. In its previous financial year the operating profit was £0.4million. There is no difference between the book value, as recorded in the records of Chivers Communications prior to the acquisition, and the fair value of the assets acquired.

12 Tangible fixed assets

12a 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 2001	533.1	790.5	119.9	91.1	1,534.6
Reclassification	–	0.7	(0.7)	–	–
Acquisitions	0.4	0.1	0.1	–	0.6
Additions	4.3	74.9	9.6	96.0	184.8
Brought into service	10.0	49.4	3.7	(63.1)	–
Disposals	(89.9)	(39.3)	(10.2)	(17.6)	(157.0)
At 31 March 2002	457.9	876.3	122.4	106.4	1,563.0
Depreciation					
At 1 April 2001	192.8	465.9	58.9	–	717.6
Reclassification	–	0.5	(0.5)	–	–
Charge for the year	14.3	104.3	14.1	–	132.7
Elimination in respect of disposals	(8.1)	(30.6)	(9.4)	–	(48.1)
At 31 March 2002	199.0	540.1	63.1	–	802.2
Net book value					
At 31 March 2002	258.9	336.2	59.3	106.4	760.8
At 31 March 2001	340.3	324.6	61.0	91.1	817.0

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 Service's 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. There is no material difference between the net book value of tangible fixed assets included in the previous table and their value as determined on a historical cost basis.

Included within plant and machinery are £19.6million (2001: Enil) of assets held under finance leases.

Included within fixed assets is £24million 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 right 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.

12b 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 2001	386.8	313.8	68.8	44.5	813.9
Additions	3.0	16.6	7.3	57.3	84.2
Brought into service	7.0	22.9	3.1	(33.0)	–
Transfers from subsidiaries	7.0	94.2	17.9	1.7	120.8
Disposals	(3.8)	(18.1)	(3.8)	(15.4)	(41.1)
At 31 March 2002	400.0	429.4	93.3	55.1	977.8
Depreciation					
At 1 April 2001	155.4	174.0	18.1	–	347.5
Charge for the year	10.8	43.9	10.0	–	64.7
Transfers from subsidiaries	2.8	45.3	16.2	–	64.3
Elimination in respect of disposals	(0.8)	(15.7)	(3.0)	–	(19.5)
At 31 March 2002	168.2	247.5	41.3	–	457.0
Net book value					
At 31 March 2002	231.8	181.9	52.0	55.1	520.8
At 31 March 2001	231.4	139.8	50.7	44.5	466.4

Transfers from subsidiaries represents assets transferred from BBC Resources on the re-integration of a significant part of BBC Resources into the Home Services in April 2001.

Included within plant and machinery are £19.8million (2001 £nil) of assets held under finance leases with another Group company.

12c Land and buildings at net book value comprise:

	Group 2002 £m	Group 2001 as restated £m	Home Services 2002 £m	Home Services 2001 as restated £m
Freeholds	226.0	307.9	210.1	211.8
Long leaseholds	9.9	10.2	9.9	10.2
Short leaseholds	23.0	22.2	11.8	9.4
	258.9	340.3	231.8	231.4

During the year a review of all long and short leasehold buildings was carried out which resulted in some reclassifications. The prior year comparatives have been restated in accordance with this review.

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 £34.8million (2001 £64.7million) and in the Home Services £30.6million (2001 £30.4million), none of which is depreciated.

13 Investment in programmes for future sale

	Group £m
Cost	
At 1 April 2001	289.2
Exchange adjustment	1.3
Additions	83.2
Disposals	(3.1)
Financing benefit	(0.6)
Elimination of programmes fully amortised	(46.2)
At 31 March 2002	323.8
Amortisation	
At 1 April 2001	172.0
Exchange adjustment	1.0
Charge for the year	86.4
Disposals	(1.2)
Elimination of programmes fully amortised	(46.2)
At 31 March 2002	212.0
Net book value	
At 31 March 2002	111.8
At 31 March 2001	117.2

Investment by BBC Worldwide in programmes for future sale relates to programmes provided by the BBC and external producers. The additions figure above includes £80.5million direct investment in BBC programmes.

Included in the net book value is £4.2million relating to investments held under a licence agreement (2001 £3.7million). The financing benefit relates to monies received for tax credits on investments in sale and leaseback programmes.

14 Other investments (including BBC World Service net assets)

14a Movements in the year for the Group

	Interests in joint ventures Note 14d £m	Interests in associates Note 14e £m	Other investments £m	Total Group £m
At 1 April 2001	0.4	1.0	0.4	1.8
Additions	2.2	3.6	–	5.8
Goodwill	9.2	–	–	9.2
Share of retained profits/(losses)	4.7	(28.2)	–	(23.5)
Dividend received	(0.5)	(0.6)	–	(1.1)
Adjustment to reflect effective obligations	(4.5)	29.1	–	24.6
At 31 March 2002	11.5	4.9	0.4	16.8

In October 2001, the BBC formed a joint venture with Land Securities Trillium (LST), the Insight Property Partnership, which will provide a range of property and development services to the BBC. The BBC contributed partnership capital of £100 to the Insight Property Partnership, giving rise to goodwill of £9.2million. In addition, the BBC entered into a related partnership with LST which will develop part of the White City site, the White City Development Partnership. The cost of the BBC's investment in this associate was £3.6million and no goodwill arose.

In March 2002, the BBC and LST acquired an additional property in the White City area through a separate joint venture. The BBC contributed £2.2million cash to the joint venture to purchase the property. No goodwill arose on the creation of this joint venture.

14b Movements in the year for Home Services

	Interest in BBC World Service net assets as restated £m	Shares in subsidiaries £m	Interests in joint ventures £m	Other investments £m	Total £m
At 1 April 2001	124.5	92.3	–	122.7	339.5
Accumulated surplus	9.8	–	–	–	9.8
Additions	–	63.0	9.2	–	72.2
Disposals	–	–	–	(122.3)	(122.3)
At 31 March 2002	134.3	155.3	9.2	0.4	299.2

The new figure has been restated for the adoption of FRS 17 (see Note 26a).

Additions to shares in subsidiaries represent 63,000,000 ordinary shares issued at £1 each on 29 June 2001 to enable BBC Technology to finance the acquisition of the business from the BBC.

Disposals in other investments comprised £122.3million in loans paid back by the subsidiary undertakings following the transfer of fixed assets from Home Services in 2001.

Subsidiary undertakings are businesses we control.

14c Subsidiary undertakings

The Home Services own 100% of the issued ordinary share capital of the following companies which are incorporated in Great Britain:

Cost	2002 £m	2001 £m
BBC Worldwide Limited	0.3	0.3
BBC Subscription Television Limited (dormant)	–	–
BBC Investments Limited (dormant)	–	–
BBC News Limited	–	–
BBC Property Limited	1.0	1.0
BBC Property Investments Limited	–	–
BBC Property Development Limited (dormant)	–	–
BBC Resources Limited	91.0	91.0
BBC Technology Holdings Limited	63.0	–
Centre House Productions Limited	–	–
BBC Digital Programming Services Limited	–	–
BBC Broadcast Limited	–	–
	155.3	92.3

Others

The Group also holds the controlling interest in the following principal subsidiary undertakings which, except where otherwise stated, are incorporated in Great Britain:

	Holding of issued ordinary shares %
Held by BBC World Service:	
BBC East Asia Relay Company Limited (incorporated in Hong Kong)	100
BBC Radiocom (Bulgaria) EOOD (incorporated in Bulgaria)	100
BBC Radiocom (Hungary) KFT (incorporated in Hungary)	100
BBC Radiocom (Praha) s.r.o. (incorporated in the Czech Republic)	100
BBC Radiocom (Slovakia) s.r.o. (incorporated in the Slovak Republic)	100
BBC Romania SRL (incorporated in Romania)	100
BBC Polska Sp. z.o.o. (incorporated in Poland)	100
BBC do Brazil Limitada (incorporated in Brazil)	100
BBC Radiocom Deutschland GmbH (incorporated in Germany)	100
BBC Croatia d.o.o. (incorporated in Croatia)	100
BBC World Service Trust*	

* The BBC World Service Trust is a charitable company limited by guarantee, of which the BBC is the sole member.

14c Subsidiary undertakings *continued*

	Holding of issued ordinary shares %
Held by BBC Technology Holdings Limited:	
BBC Technology Limited	100
BBC Technology Services Limited	100
BBC Technology Supply Limited	100
Kingswood Warren Ventures Limited	100
BBC Technology Holdings LLC (incorporated in the USA)	100
BBC Technology Consultancy LLC (incorporated in the USA)	100
Held by BBC Worldwide Limited:	
<i>Publishing</i>	
BBC Magazines Inc. (incorporated in the USA)	100
Galleon Limited	100
Broadcasting Dataservices Limited	75
Cover to Cover Cassettes Limited	100
Chivers Communications Limited	100
<i>Programme distribution</i>	
BBC Worldwide Americas Inc. (incorporated in the USA)	100
BBC Worldwide Music Limited	100
UK Programme Distribution Limited	95
BBC Worldwide Japan KK 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
BBC Worldwide Canada Limited (incorporated in Canada)	100
<i>Channels</i>	
New Video Channel America LLC (incorporated in the USA)	100
European Channel Broadcasting Limited	100
European Channel Management Limited	100
<i>Investment companies</i>	
Worldwide Americas Investments Inc. (incorporated in the USA)	100
BBC Worldwide Investments Limited	100
BBC World Service Television Limited	100
Worldwide Channel Investments Limited	100
Worldwide Channel Investments (Europe) Limited	100
Worldwide Channel Investments (Australia) Pty Limited (incorporated in Australia)	100
Worldwide Channel Investments (Ontario) Limited (incorporated in Canada)	100
<i>Internet</i>	
beeb Ventures Limited	86.9

Joint ventures are businesses we jointly control with other parties.

14d Interests in joint ventures

The Group, through its subsidiary BBC Worldwide, has major partnership deals with Flextech, the content division of Telewest Communications plc, for the production and marketing of subscription channels in the UK, and with Discovery Communications Inc. (Discovery) for incorporating new channels around the world and providing new co-production funding for programmes. These alliances operate joint ventures, listed below:

Name of entity	Nature of entity	Partner	Date entered
UK Channel Management Limited	Joint venture	Flextech	April 1997
UK Gold Holdings Limited	Joint venture	Flextech	April 1997
UKTV New Ventures Limited	Joint venture	Flextech	October 2001
JV Programmes LLC	Joint venture	Discovery	March 1998

In addition to the arrangements with Flextech and Discovery, BBC Haymarket Exhibitions Limited is included in the joint venture total and is accounted for separately from the Flextech and Discovery joint ventures, as are the LST joint ventures (see Note 14a).

The Group share of turnover for Haymarket was £6.4million (2001 £6.4million) and operating surplus was £0.3million (2001 £0.6million).

The following disclosures are based on results for the year ended 31 December 2001 for the Flextech, Discovery and Haymarket joint ventures and 31 March 2002 for the LST joint ventures. The amounts disclosed represent the Group's equity shares of the assets and liabilities of the entities.

BBC Group share of:	UK Gold Holdings Limited* £m	UK Channel Management Limited* £m	Other joint ventures £m	Total joint ventures £m
2002				
Turnover	34.8	28.4	18.4	81.6
Profit/(loss) before tax	13.2	(3.0)	(1.9)	8.3
Taxation	(3.4)	–	(0.2)	(3.6)
Profit/(loss) after tax	9.8	(3.0)	(2.1)	4.7
Fixed assets	–	0.1	2.2	2.3
Goodwill	–	–	9.2	9.2
Current assets	14.2	14.0	19.6	47.8
Liabilities less than one year	(9.4)	(7.1)	(11.6)	(28.1)
Liabilities more than one year	(46.0)	(44.6)	(11.6)	(102.2)
Adjustment to reflect effective obligations	41.2	37.6	3.7	82.5
Net book value	–	–	11.5	11.5
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

* The figures for 2002 are based on unaudited financial statements (2001 unaudited).

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 2002 (2001 £nil). The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation.

Associates are businesses over which we exert significant influence but do not have overall control.

14e Interests in associates

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

	Holding of issued ordinary shares %
Held by Home Services:	
Parliamentary Broadcasting Unit Limited	33
Broadcasters Audience Research Board Limited	*
The Commonwealth Broadcasting Association	*
Radio Joint Audience Research Limited (RAJAR)	50
Delta Ventures Limited	20
Held by BBC World Service:	
Caribbean Relay Company Limited (incorporated in Antigua)	45
Multimedia Ventures Limited	50
WRG-FM SA (incorporated in Switzerland)	40
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 the USA)†	50
People and Arts (Latin America) LLC (incorporated in the USA)†	50
Animal Planet LLC (incorporated in the USA)†	20
JV Network LLC (incorporated in the USA)†	50
Animal Planet (Asia) LLC (incorporated in the USA)†	50
Animal Planet Europe Partnership†	50
Animal Planet Japan KK (incorporated in Japan)†	33
Animal Planet Japan LLP (incorporated in the USA)†	50
Jasper Broadcasting Limited (incorporated in Canada)	20
Jasper Junior Broadcasting Inc (incorporated in Canada)	20
Animal Planet Canada Company ULC (incorporated in Canada)†	23
Held by BBC Resources Limited:	
3sixtymedia Limited	10
Held by BBC Property Limited:	
White City Development Partnership	**

* Broadcasters Audience Research Board Limited and The Commonwealth Broadcasting Association are companies limited by guarantee, of which the BBC is a joint member with other broadcasters.

† Discovery associates.

** 50% partnership share.

14e Interests in associates *continued*

The following additional disclosures are based on the results of the Discovery associates for the year ended 31 December 2001 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.

BBC Group interests in associates	2002 £m	2001 £m
Share of turnover	39.1	32.5
Share of fixed assets	61.4	45.6
Share of current assets	23.9	28.6
Share of liabilities due within one year	(22.3)	(19.5)
Share of liabilities due after more than one year	(104.9)	(85.7)
Adjustment to reflect effective obligation	46.8	32.0
Net interests in associates	4.9	1.0

The results include the Group share of the operating profit of UK TV Pty Limited of £0.1million (2001 £0.1million) and Frontline Limited of £1.0million (2001 £0.2million). Both are accounted for separately from the Discovery associates.

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 2002 (2001 Nil). The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation, with the exception of JV Network LLC. JV Network LLC was formed for the purpose of providing debt funding from Discovery to the other Discovery joint ventures and BBC Worldwide is not entitled to any profits arising within this entity.

15 Stocks

	Group 2002 £m	Group 2001 as restated £m	Home Services 2002 £m	Home Services 2001 as restated £m
Raw materials	2.4	3.0	–	–
Work in progress:				
– originated programmes	254.5	235.6	254.5	235.5
– other	6.6	5.6	0.1	–
Finished programmes:				
– acquired programmes and films	89.0	92.5	89.0	92.5
– originated programmes	80.7	49.1	80.7	49.1
Other	16.2	11.8	1.0	0.9
Total	449.4	397.6	425.3	378.0

The 2001 figures have been restated to reclassify programme loss provisions of £8.5million, previously reported within other provisions, against originated programme work in progress (see Note 26b).

The increased levels of originated programme work in progress and finished programme stock reflect the launch of new television channels.

16 Debtors

	Group 2002 £m	Group 2001 £m	Home Services 2002 £m	Home Services 2001 £m
Receivable within one year				
Trade debtors	146.4	163.7	27.5	22.3
Department of Culture, Media and Sport – licence fee debtors	255.5	272.9	255.5	272.9
Amounts owed by subsidiaries	–	–	58.1	98.5
Amounts owed by associates and joint ventures	9.2	5.8	–	–
VAT recoverable	39.6	28.1	30.7	26.3
Other debtors	36.4	31.8	14.2	21.3
Corporation tax	0.6	3.6	0.7	1.2
Prepayments	175.9	142.3	156.1	102.2
	663.6	648.2	542.8	544.7
Receivable after more than one year				
Trade debtors	0.2	–	0.2	–
Amounts owed by subsidiaries	–	–	–	17.6
Prepayments	137.0	47.8	113.6	27.2
	137.2	47.8	113.8	44.8
Total	800.8	696.0	656.6	589.5

The increase in prepayments reflects a build-up in rights to broadcast major sporting events and key acquired programmes (see also Note 23). In addition, the sale of the White City building to Land Securities Trillium in the year ended 31 March 2002 was settled in part by future reductions in the cost to the BBC of occupying the building. The net present value of this reduction is held as a prepayment to be released over the term of the lease.

BBC Resources has an unsecured loan facility of £30million with the BBC that is repayable on 30 March 2004. Interest on this facility is charged at 0.8% over bank base rates and appropriate covenants exist to protect the Home Services from financial risk. At 31 March 2002 none of the facility was drawn down.

BBC Worldwide has an unsecured loan facility of £125million with the BBC that is repayable on 1 April 2003. Interest on this facility is charged at 0.6% over bank base rates and appropriate covenants exist to protect the Home Services from financial risk. At 31 March 2002, £0.6million of the loan was drawn down.

BBC Technology Services (the principal trading company of the BBC Technology Group) has a loan facility of £25million with the BBC secured by a floating charge over all assets and undertakings that is repayable on 30 March 2004. Interest on this facility is charged at 1% over bank base rates and appropriate covenants exist to protect the Home Services from financial risk. At 31 March 2002 none of the facility was drawn down.

17 Creditors

17a 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. Payments for programme acquisitions are made in accordance with contractual terms. The BBC Group's number of creditor days outstanding in respect of other trade creditors at 31 March 2002 was 52 days (2001 52 days).

17b Amounts falling due within one year

	Group 2002 £m	Group 2001 as restated £m	Home Services 2002 £m	Home Services 2001 £m
Bank overdrafts	–	7.0	60.9	–
Unsecured loan notes	1.9	–	–	–
	1.9	7.0	60.9	–
Payments received on account	2.2	–	–	–
Trade creditors				
Programme creditors	75.9	91.1	75.5	90.9
Programme acquisitions	44.0	39.7	44.0	39.7
Salaries and wages	29.0	28.0	18.2	17.6
Residual copyright payments	56.5	53.3	–	–
Licence fee collection creditors	4.6	5.4	4.6	5.4
Other trade creditors	174.3	167.2	117.1	104.2
	384.3	384.7	259.4	257.8
Other creditors				
Other taxation and social security	41.0	33.9	24.6	23.8
Amounts owed to subsidiaries	–	–	57.9	34.2
Amounts owed to associates and joint ventures	1.7	2.0	–	0.1
Obligations under finance leases	7.2	–	–	–
Amounts owed to subsidiaries in respect of finance leases	–	–	10.1	–
	49.9	35.9	92.6	58.1
Accruals and deferred income				
Accruals and deferred income	302.4	276.9	224.5	201.7
Licence saving stamps deposits and direct debit instalments	130.5	140.1	130.5	140.1
	432.9	417.0	355.0	341.8
Total	871.2	844.6	767.9	657.7

The prior year balance for the salaries and wages creditor has been restated to include balances that were previously included within other trade creditors (see Note 26b).

The Home Services' overdraft facility bears interest at bank base rates plus 1%.

17c Amounts falling due after more than one year

Note	Group 2002 £m	Group 2001 £m	Home Services 2002 £m	Home Services 2001 £m
Bank and other loans	29.4	19.1	–	–
Trade creditors				
Programme acquisitions	36.4	21.0	36.4	21.0
Other trade creditors	2.9	0.7	–	0.7
	39.3	21.7	36.4	21.7
Other creditors				
Obligations under finance leases	17d 33.8	10.5	–	–
Amounts owed to subsidiaries in respect of finance leases	–	–	9.7	–
	33.8	10.5	9.7	–
Total	102.5	51.3	46.1	21.7

Creditors falling due after more than one year are all repayable within five years with the exception of the finance lease obligations (see Note 17d).

Bank and other loans include a US\$5million loan from Discovery which is repayable in the following stages: \$3million due 31 March 2004; \$2million due 31 March 2005. The remainder of the loans consist of multi-currency revolving facilities repayable in full in three years. Interest is payable at LIBOR plus 1.0% for the US\$5million loan and LIBOR plus 0.3% for the multi-currency facilities.

A finance lease transfers substantially all the risks and rewards of owning an asset to the lessee (the BBC). So we recognise the assets within our fixed assets with the corresponding borrowings in creditors.

17d Obligations under finance leases

The maturity of obligations under finance leases is as follows:

	Group 2002 £m	Group 2001 £m	Home Services 2002 £m	Home Services 2001 £m
Within one year	26.2	9.7	10.1	–
In the second to fifth years	94.3	43.9	9.7	–
Over five years	237.3	125.4	–	–
	357.8	179.0	19.8	–
Less: future finance charges	(89.4)	(52.9)	–	–
	268.4	126.1	19.8	–
Less: defeasance deposits	(227.4)	(115.6)	–	–
	41.0	10.5	19.8	–

Defeasance deposits are cash deposits that are linked to a matching creditor. We can only use these deposits to settle the linked liability.

The finance leases have been entered into by BBC Technology and Centre House Productions Limited.

BBC Technology has entered into finance leases to finance the acquisition of IT equipment which is subsequently leased to other parts of the BBC on an arm's length basis.

Centre House Productions Limited has entered into finance leases as a means of financing drama productions which result in a reduction in the production costs to the BBC. The level of obligations has increased significantly in 2002. These finance leases are matched by the defeasance deposits such that the principle 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.

18 Provisions for liabilities and charges

Group	At 1 April 2001 as restated £m	Reclassification £m	Utilised during the year £m	Released during the year £m	Charge for the year £m	At 31 March 2002 £m
Licence fee	11.9	20.9	(37.1)	(8.6)	37.8	24.9
Restructuring	4.5	1.1	(3.7)	(1.1)	13.3	14.1
Litigation and insurance	14.3	–	(18.8)	(2.1)	21.2	14.6
Property	11.9	(1.1)	–	(0.5)	0.2	10.5
Pension	0.7	(0.7)	–	–	–	–
Other	9.9	6.5	(7.4)	(12.3)	21.8	18.5
Total	53.2	26.7	(67.0)	(24.6)	94.3	82.6

The 2001 figures have been restated for the adoption of FRS 17 and to reclassify programme loss provisions of £8.5million against originated programmes work in progress. £26.7million disclosed in other creditors in Home Services last year has been reviewed and reclassified into provisions in 2002 (see Note 26).

Property provisions include BBC World Service's liability of £3.6million (2001 £3.6million) to restore Bush House to its original condition, together with amounts relating to other dilapidations and relocations.

Other provisions consist of a number of balances arising across the BBC in the normal course of business.

Home Services	At 1 April 2001 as restated £m	Reclassification £m	Utilised during the year £m	Released during the year £m	Charge for the year £m	At 31 March 2002 £m
Licence fee	11.9	20.9	(37.1)	(8.6)	37.8	24.9
Restructuring	3.9	1.1	(3.2)	(1.0)	11.1	11.9
Litigation and insurance	14.3	–	(18.8)	(2.1)	21.2	14.6
Property	8.3	(1.1)	–	(0.5)	0.2	6.9
Other	9.9	6.5	(7.4)	(12.3)	19.6	16.3
Total	48.3	27.4	(66.5)	(24.5)	89.9	74.6

The 2001 figures have been restated for the adoption of FRS 17 and to reclassify programme loss provisions of £8.5million against originated programmes work in progress (see Note 26).

The Home Services and BBC World Service are funded from different sources. As such, the reserves relating to the BBC World Service are maintained separately from the rest of the Group and are restricted for use solely on BBC World Service activities.

19 Reserves

Note	Operating reserve excluding pension reserve as restated £m	Pension reserve as restated £m	Total operating reserve as restated £m	Capital reserve £m	Revaluation reserve £m	Total £m
Group						
At 1 April 2001 as previously stated	607.3	–	607.3	791.1	7.2	1,405.6
Prior year adjustment ^{26a}	47.2	1,704.3	1,751.5	–	–	1,751.5
At 1 April 2001 as restated	654.5	1,704.3	2,358.8	791.1	7.2	3,157.1
Exchange adjustments	0.5	–	0.5	–	–	0.5
Deficit for the financial year	(15.9)	–	(15.9)	–	–	(15.9)
Actuarial loss on defined benefit pension schemes	–	(725.4)	(725.4)	–	–	(725.4)
Revaluation reserve transfer	0.8	–	0.8	–	(0.8)	–
Pension reserve transfer	17.8	(17.8)	–	–	–	–
Capital reserve transfer	(11.5)	–	(11.5)	11.5	–	–
At 31 March 2002	646.2	961.1	1,607.3	802.6	6.4	2,416.3
Represented by:						
General Group reserves	635.2	961.1	1,596.3	685.7	–	2,282.0
BBC World Service reserves	11.0	–	11.0	116.9	6.4	134.3
	646.2	961.1	1,607.3	802.6	6.4	2,416.3

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 £6.8million (2001 £6.8million) remains offset against the operating reserve.

Note	Operating reserve as restated £m	Capital reserve £m	Revaluation reserve £m	Total £m
Home Services				
At 1 April 2001 as previously stated	546.3	791.1	7.2	1,344.6
Prior year adjustment ^{26a}	34.8	–	–	34.8
At 1 April 2001 as restated	581.1	791.1	7.2	1,379.4
Deficit for the financial year	(9.3)	–	–	(9.3)
Revaluation reserve transfer	0.8	–	(0.8)	–
Capital reserve transfer	(11.5)	11.5	–	–
At 31 March 2002	561.1	802.6	6.4	1,370.1
Represented by:				
Home Services reserves	550.1	685.7	–	1,235.8
BBC World Service reserves	11.0	116.9	6.4	134.3
	561.1	802.6	6.4	1,370.1

The 2001 figures have been restated for the adoption of FRS 17 (see Note 26a).

20 Reconciliation of Group operating deficit to net cash inflow from operating activities

	2002 £m	2001 as restated £m
Group operating deficit	(173.4)	(129.8)
Depreciation and amortisation	220.5	189.6
Pension schemes operating costs (non-cash)	151.5	133.1
Loss on disposal of tangible fixed assets	1.4	6.5
(Increase)/decrease in stocks	(51.8)	(60.7)
(Increase)/decrease in debtors	(43.3)	(117.1)
Increase/(decrease) in creditors	83.2	84.3
Increase/(decrease) in provisions	29.4	23.1
Net cash inflow from operating activities	217.5	129.0

The 2001 figures have been restated for the adoption of FRS 17 (see Note 26a).

21 Analysis of changes in net funds

Bank overdrafts represent temporary timing differences on cash at bank.

The Group cash at bank and in hand shown on the balance sheet is made up of deposits not repayable on demand and cash at bank and in hand.

	At 1 April 2001 £m	Cash flows £m	Non-cash movements £m	At 31 March 2002 £m
Net cash				
Bank overdrafts	(7.0)	7.0	–	–
Cash at bank and in hand	102.9	(102.6)	–	0.3
	95.9	(95.6)	–	0.3
Liquid resources				
Deposits not repayable on demand	15.0	(15.0)	–	–
Short-term investments	253.4	103.4	–	356.8
Gross funds*	364.3	(7.2)	–	357.1
Loans from third parties	(19.1)	(10.3)	–	(29.4)
Unsecured loan notes	–	–	(1.9)	(1.9)
Finance leases	(10.5)	–	(30.5)	(41.0)
Net funds	334.7	(17.5)	(32.4)	284.8

The repayments on finance leases held by Centre House Productions Limited are offset directly by income earned on matching deposits, such that there is no cash flow effect (see Note 17d). 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.

	2002 £m	2001 £m
*Analysis of gross funds		
BBC funds	226.6	224.2
TV licence savings stamp deposits and direct debit instalments	130.5	140.1
Gross funds	357.1	364.3

22 Reconciliation of net cash flow to movement in net funds

	2002 £m	2001 £m
Decrease in cash in the year	(95.6)	(51.6)
Net cash outflow/(inflow) from management of liquid resources	88.4	(6.7)
Net cash (inflow) from financing activities	(10.3)	–
Change in net funds resulting from cash flows	(17.5)	(58.3)
Issue of loan notes	(1.9)	–
Finance leases	(30.5)	(6.1)
Exchange adjustments	–	(0.2)
Change in net funds	(49.9)	(64.6)
Net funds at the beginning of the year	334.7	399.3
Net funds at the end of the year	284.8	334.7

23 Commitments

23a Contracts placed for future expenditure

	Group 2002 £m	Group 2001 £m	Home Services 2002 £m	Home Services 2001 £m
Fixed asset additions	45.9	37.8	13.4	19.6
Programme acquisitions and sports rights	754.4	658.3	715.2	591.5
Independent programmes	69.4	24.8	69.4	24.8
	869.7	720.9	798.0	635.9

The increase in contractual commitments is due to the renegotiation of favourable long-term contracts for key programmes and the rights to broadcast major sporting events.

An operating lease is a lease where the lessee has not taken on the risks and rewards of owning and operating the asset. The lessee (the BBC) is hiring rather than buying an asset.

23b Operating leases

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

	Land and buildings 2002 £m	Land and buildings 2001 £m	Other 2002 £m	Other as restated 2001 £m
Group				
Within one year	2.7	2.3	5.3	12.3
In two to five years	12.1	11.6	9.3	16.1
After five years	13.0	8.8	2.5	3.2
	27.8	22.7	17.1	31.6
Home Services				
Within one year	1.3	2.1	1.0	8.0
In two to five years	4.4	3.5	10.8	10.2
After five years	11.8	7.6	–	–
	17.5	13.2	11.8	18.2

The prior year figures for land and buildings have been restated following a review of all the BBC's leases.

23c 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.

24 Contingent liabilities

At 31 March 2002 the Group had unprovided contingent liabilities estimated to be £2.3million (2001 £2.8million) in respect of guarantees and indemnities.

Within BBC World Service, BBC Monitoring's operating reserve of £7.2million (2001 £7.0million) includes 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 these funds and agreement has yet to be reached over their use.

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 generated by the BBC. 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 (see Note 18) against an estimate of any damages and costs which may be awarded.

25 Related party transactions

The related party transactions of the Group have been presented in accordance with FRS 8, *Related party disclosures*.

25a Transactions with joint ventures and associated undertakings

Included in the income and expenditure account is income from UKTV and the Discovery joint ventures of £30.3million and £24.2million respectively from sales of programmes. The BBC received £7.7million of income from various other associates from sales of programmes. In addition, Frontline Limited charged £6.3million for the distribution of BBC Worldwide Limited's magazines.

In October 2001 the BBC formed the Insight Property Partnership and the White City Development Partnership with Land Securities Trillium (LST) as explained in Note 14a. The BBC contributed its interest in the White City site to these partnerships. The consideration received was a combination of cash of £20million, partnership capital of £3.6million and reductions in service payments for property services. The latter is held as a prepayment on the BBC's balance sheet. In addition, development work in progress was transferred to the White City Development Partnership for cash of £17million. The BBC recorded neither a profit nor a loss on these transfers. The partnerships charged the BBC £25million for property services during the year.

Amounts owed by/to joint ventures and associated undertakings at the year end are disclosed within Notes 16 and 17. In all transactions the terms of trade were negotiated on an arm's length basis.

25b Other transactions

Sir Richard Eyre, Governor, is also Chairman and Managing Director of Chestermead Limited. During the year Sir Richard Eyre received, either directly or through Chestermead, payments totalling £9,500 for interviews and contributions to BBC programmes. No amounts were outstanding at the year end. He was also writer and director of *Iris*, a film produced by Fox Iris Productions Limited. BBC Films contributed towards the financing of this film. Sir Richard Eyre's wife, Sue Birtwistle, works on a freelance basis for the BBC. During 2001/2002 she received £31,000 for her contribution to *Armadillo*.

Baroness Hogg, Governor, is also Chairman of Frontier Economics. During the year the BBC paid £45,000 to Frontier Economics for two projects relating to new service launches and the incorporation of BBC Broadcast Limited. No amounts were outstanding at the year end.

Rt Hon The Lord Ryder, Governor, is also a non-executive director and shareholder of Ipswich Town Football Club. During the year the BBC paid £1,195,000 to the club in respect of the UEFA Cup and FA Cup televised fixtures.

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 Head of Political and Community Affairs for the English Regions. Her remuneration is based on the BBC's standard terms and conditions applicable to other staff employed in this capacity.

Related parties include Governors, the Executive Committee and other senior managers, their immediate families and external entities controlled by them.

Sir Christopher Bland, Chairman of the BBC until 30 September 2001, was also Chairman of British Telecommunications plc from May 2001. During this time the BBC traded with British Telecommunications plc in the normal course of business. Sir Christopher Bland was not a party to the approval process for any of this trading.

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 situations to avoid any conflict of interest. Where transactions have arisen between connected parties, the BBC Governor or employee is not a party to the approval process.

This is a technical explanation of how the adoption of the new policy has changed the figures in last year's financial statements.

26 Restatement of comparative figures

26a Adoption of FRS 17, *Retirement benefits*

The adoption of FRS 17, *Retirement benefits*, has required changes in the method of accounting for pension costs. As a result, the comparative figures for 2001 have been restated as follows:

In the Group income and expenditure account the defined benefit pension operating cost, included within operating expenditure, increased by £101.1million to £154.0million. A new income line, other finance income, represents the net expected return to the BBC on pension scheme assets after deducting the interest on the pension scheme liabilities. This offsets the pension scheme cost by £169.5million in 2001 resulting in a net credit of £15.5million to the income and expenditure account for this pension scheme.

In the Group balance sheet the pension provision was reduced by £47.2million, of which £31.5million related to amounts added during 2001 under the previous accounting policy SSAP 24. The pension scheme surplus increased net assets by £1,704.3million.

In total, the effect of FRS 17 has been to increase net assets by £1,751.5million.

The impact of adopting FRS 17 on the operating costs for 2002 is similar to that for 2001. However, volatility in the other finance costs results in a net pension charge of £43.3million in the income and expenditure account in 2002 compared with the credit of £15.5million in 2001.

The Home Services have taken advantage of provisions in the scheme and now account for the scheme as if it were a defined contribution scheme. This resulted in a decrease in pension costs of £24.0million in 2001. The pension provision of £34.5million was eliminated and the interest in BBC World Service net assets increased by £0.3million to £124.5million. The impact of adopting FRS 17 had a similar effect on Home Services' results in 2002.

26b Other restatements

The adoption of a new chart of accounts with our new financial system has led to a number of balance sheet reclassifications this year. The impact is explained under the relevant note to the financial statements.

Broadcasting facts and figures

A number of new digital radio and television services were launched during the year, and any data included for these services is for the period since the launch date. The launch dates for the new television channels were: CBBC, 11 February 2002; CBeebies, 11 February 2002; and BBC Four, 2 March 2002 (BBC Knowledge ceased on 1 March 2002). The launch dates for the new radio stations were BBC Five Live Sports Extra, 2 February 2002 and 6 Music, 11 March 2002.

For an explanation of the terminology used throughout this section (eg BARB, RAIAR, reach etc) see the glossary on the inside back cover.

Programmes and audiences

BARB introduced a new audience panel in January 2002. Reach comparisons across the period should therefore be treated with caution as subsequent falls in reach may partly be due to methodological changes.

Table 1 15-minute weekly reach by service and platform

	All homes		Analogue terrestrial		Digital homes	
	2001/2002 (55.3m*) %	2000/2001 (55.0m*) %	2001/2002 (27.4m*) %	2000/2001 (30.2m*) %	2001/2002 (24.5m*) %	2000/2001 (15.7m*) %
Total BBC Television and Radio reach	93.0	94.4	–	–	–	–
BBC Television	86.5	88.4	90.2	92.0	83.4	82.4
BBC One	82.9	85.7	86.8	89.7	78.2	78.8
BBC Two	66.0	69.1	75.9	78.4	53.7	53.9
BBC Choice	5.4	2.6	–	–	15.1	11.7
BBC Four	1.1	–	–	–	2.7	–
BBC News 24	2.9	2.0	–	–	5.6	4.0
CBBC	1.0	–	–	–	2.4	–
CBeebies	3.1	–	–	–	7.7	–
BBC Knowledge	0.8	0.4	–	–	2.3	1.5
ITV1	78.0	82.6	83.0	87.5	70.6	72.1
ITV2	3.1	0.4	–	–	7.7	1.6
Channel 4	62.5	67.3	70.2	74.6	52.1	54.1
E4 (launched 18 January 2001)	4.6	3.2	–	–	12.2	11.2
Channel 5	39.2	38.5	40.2	39.9	35.7	32.3
All Sky channels	25.0	23.0	–	–	58.6	63.0
Sky One	14.3	14.0	–	–	33.0	37.3
Sky News	3.5	3.2	–	–	8.0	7.7
Discovery	3.3	3.0	–	–	6.5	6.1
Nickelodeon	4.8	4.9	–	–	10.7	13.4
Nick Junior	1.6	1.4	–	–	4.5	6.5
UK Gold	9.3	8.8	–	–	20.1	23.1
UKTV	14.2	12.1	–	–	31.9	33.2
Other channels (total)**	36.1	33.0	–	–	80.5	84.3
BBC Radio	63.4	60.9				
BBC Radio 1	23.5	23.5				
BBC Radio 2	22.9	19.5				
BBC Radio 3	3.7	3.6				
BBC Radio 4	17.7	16.8				
BBC Radio Five Live	11.2	10.6				
BBC Local Radio (including Nations)	19.9	19.1				
Virgin	5.7	5.8				
Classic	12.3	11.5				
TalkSport	4.5	4.1				
All local commercial radio	58.5	57.0				

Source: BARB, RAIAR, age 4+, average for the year.

* People age 4+ as at March 2002, source: BARB.

** Excludes BBC One, BBC Two, ITV1, Channel 4 and Channel 5.

It is not possible to measure the reach of digital radio services.

Table 2 Share by service and platform

	All homes		Analogue terrestrial		Digital homes	
	2001/2002 (55.3m*) %	2000/2001 (55.0m*) %	2001/2002 (27.4m*) %	2000/2001 (30.2m*) %	2001/2002 (24.5m*) %	2000/2001 (15.7m*) %
Total BBC Television and Radio share	43.8	43.1	–	–	–	–
BBC Television	38.4	38.2	48.5	46.3	27.2	25.4
BBC One	26.5	26.8	34.1	32.1	18.9	18.2
BBC Two	11.1	11.0	14.4	14.2	6.2	5.7
BBC Choice	0.7	0.3	–	–	1.5	1.0
BBC Four	0.1	–	–	–	0.1	–
BBC News 24	0.1	0.1	–	–	0.5	0.3
CBBC	0.0	–	–	–	0.1	–
CBeebies	0.5	–	–	–	1.3	–
BBC Knowledge	0.0	0.0	–	–	0.1	0.1
ITV1	25.7	28.9	31.4	33.8	18.3	19.0
ITV2	0.2	0.0	–	–	0.5	0.1
Channel 4	9.9	10.3	12.1	12.6	6.2	6.0
E4 (launched 18 January 2001)	0.4	0.1	–	–	1.1	0.6
Channel 5	5.9	5.7	7.4	6.8	3.7	2.9
All Sky channels	6.1	5.4	–	–	14.5	16.8
Sky One	1.8	1.8	–	–	4.0	4.4
Sky News	0.4	0.3	–	–	0.8	0.6
Discovery	0.2	0.2	–	–	0.4	0.3
Nickelodeon	0.6	0.5	–	–	1.1	1.2
Nick Junior	0.2	0.1	–	–	0.5	0.6
UK Gold	1.0	1.1	–	–	2.0	2.3
All UKTV	1.9	1.6	–	–	3.9	4.0
Other channels (total)**	20.7	17.3	0.6	0.5	46.8	48.2
BBC Radio	50.2	49.7				
BBC Radio 1	9.7	10.6				
BBC Radio 2	14.1	12.6				
BBC Radio 3	1.1	1.2				
BBC Radio 4	10.5	10.4				
BBC Radio Five Live	4.1	3.9				
BBC Local Radio (including Nations)	10.7	11.0				
Virgin	1.5	1.6				
Classic	4.2	4.2				
TalkSport	1.6	1.4				
All local commercial radio	39.9	40.4				

Source: BARB, RAJAR, age 4+, average for the year.

* People age 4+ as at March 2002, source: BARB.

** Excludes BBC One, BBC Two, ITV1, Channel 4 and Channel 5.

It is not possible to measure the share of digital radio services.

Table 3 Top ten programmes 2001/2002

BBC One		Audience Millions
1	<i>Only Fools and Horses</i>	21.35
2	<i>EastEnders</i>	20.05
3	<i>Match of the Day Live: England v Albania</i>	11.64
4	<i>Ten O'Clock News</i>	10.46
5	Film: <i>Indiana Jones and the Last Crusade</i>	10.27
6	<i>Antiques Roadshow</i>	10.18
7	Film: <i>Indiana Jones and the Temple of Doom</i>	10.13
8	<i>The Grand National</i>	10.05
9	<i>Casualty</i>	9.95
10	<i>The Blue Planet</i>	9.70

BBC Two		Audience Millions
1	<i>Band of Brothers</i>	5.62
2	<i>Horizon</i>	5.14
3	<i>Dad's Army</i>	5.13
4	<i>The Weakest Link</i>	5.10
5	<i>World Championship Snooker</i>	4.86
6	<i>Conspiracy</i>	4.56
7	<i>Shooting Stars</i>	4.56
8	<i>How to be a Gardener</i>	4.52
9	Film: <i>Meet Joe Black</i>	4.48
10	<i>Olympic Grandstand</i>	4.35

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

Table 4 Monthly BBCi on the internet page impressions

	March 2002 Millions	March 2001 Millions
News and sport	226.2	169.5
Education	53.2	25.1
Other BBCi	269.9	127.7
Total BBCi on the internet (excluding beeb.com)	549.3	322.3
BBC World Service, accessed via BBCi sites	26.2	12.2
BBC World Service, accessed via key partners	2.7	2.9
Total BBC World Service	28.9	15.1

Source: Server logs.
Note: Key partner websites host BBC World Service text and audio.

Table 5 Monthly BBCi on the internet and interactive TV reach (millions of users)

	March 2002 Millions	March 2001 Millions
BBCi on the internet*	5.7	4.9
BBCi on interactive television**	3.7	–
Total BBCi†	8.8	4.9

Source: * Server logs.
** Interactive TV tracking study (began July 2001), digital satellite and digital terrestrial only.
† Total BBCi only counts an individual once for using BBCi services on both the internet and interactive TV.

Table 6* Combined BBC radio and television reach by genre

	2001 %	2000 %
Arts and music	51	50
Current affairs	22	22
Documentaries/features	78	78
Drama (non-soap)	62	59
Drama (soap)	50	49
Films	24	25
Comedy	49	53
Other entertainment	71	68
Network news	54	53
Regional news	44	39
Sport	33	37

Source: BARB Audience Reaction Service.
Note: Based on respondents giving opinions on programmes. Reach based on at least one programme response in the course of a week. Excludes BBC Digital services.
* The programme genre coding service was not available after December 2001. The figures shown are for the calendar year.

Table 7 Range of peaktime UK-made programmes on network television

Number of UK-produced genres averaging a half-hour slot 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
Single plays/films	*						
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 pursuits	*	*	*	*	*	*	
Natural history	*	*	*	*			*
Science and medical	*	*	*	*		*	
Human interest	*	*	*	*	*	*	*
Music – contemporary	*	*	*	*		*	*
Music – classical	*		*	*			
Religious	*						
Total 2001/2002	21	15	12	17	10	10	8
Total 2000/2001	19	13	14	16	10	7	6

Source: BARB.
Note: Peak time is 6pm to 10.30pm.

Hours of output – television

Table 8 Television

Hours of output	On all platforms				On digital platforms only					
	BBC One		BBC Two		BBC Choice		BBC Four		BBC Knowledge	
	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001
Factual	1,341	1,240	927	966	256	495	47	–	3,290	4,620
Education for children	12	–	678	892	–	–	–	–	–	–
News and weather	2,792	2,675	381	371	22	225	27	–	57	4
Current affairs	84	99	192	183	7	–	–	–	–	–
Parliamentary	32	31	117	152	–	–	–	–	–	–
Entertainment	802	755	682	645	1,605	1,185	–	–	3	1
Sport	519	761	864	831	1	156	–	–	–	–
Children's	533	593	494	378	3,012	3,275	–	–	6	63
Drama	561	528	62	112	310	352	13	–	203	31
Music and arts	28	27	231	220	64	57	74	–	1,301	1,102
Religion	102	107	18	14	4	–	1	–	54	27
Open University Learning Zone	–	–	784	766	–	–	–	–	–	–
Acquired programmes	1,511	1,523	2,121	2,160	1,192	1,357	43	–	652	317
Continuity	246	233	272	270	242	278	8	–	168	238
Total network	8,563	8,572	8,424	8,454	6,715	7,380	213	–	5,734	6,403

Hours of output – digital platforms only	CBBC		CBeebies		BBC News 24		BBC Parliament	
	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001
Children's	327	–	431	–	–	–	–	–
Education for children	72	–	–	–	–	–	–	–
News and weather	–	–	–	–	8,760	8,760	–	–
Parliamentary	–	–	–	–	–	–	5,265	5,265
Acquired programmes	146	–	133	–	–	–	–	–
Continuity	38	–	66	–	–	–	–	–
Total network	583	–	630	–	8,760	8,760	5,265	5,265

Note: BBC One and BBC Two are broadcast on all platforms. Some programmes are broadcast on both BBC News 24 and BBC One or BBC Two, eg Breakfast 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 9 Subtitling output on BBC television

Subtitled hours	BBC One/Two		BBC Choice		BBC Four		BBC News 24		CBBC		CBeebies		BBC Knowledge	
	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001
Subtitled hours	17,396	15,916	4,331	2,800	1,061	–	2,327	1,380	311	–	560	–	3,923	3,762
Target for year	72%	66%	35%	30%	30%	–	30%	20%	30%	–	30%	–	30%	20%
Actual for year	73.7%	72.4%*	64.4%	48.5%*	53.5%	–	26.6%	20.3%*	55.6%	–	92.7%	–	68.2%	55.6%*

* Actual figures for 2000/2001 show the final quarter percentage only. Note: A target has been set for 100% of programming output to be subtitled by 2008/2009.

Table 10 Audio description

Average hours per week	Average hours		Target for year		Actual for year	
	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001
BBC One	6.9	3.9	2.8%	2.0%	4.2%	2.3%
BBC Two	5.1	3.5	2.8%	2.0%	3.2%	2.1%
BBC Choice	6.0	3.5	2.8%	2.0%	4.7%	2.4%
BBC Four	1.5	–	4.0%	2.0%	3.0%	–
CBBC	0.4	–	4.0%	–	0.5%	–
CBeebies	1.9	–	4.0%	–	2.2%	–
BBC Knowledge	8.3	7.8	2.8%	2.0%	6.9%	6.3%
Total average audio hours per week	30.1	18.7	2.8%	2.0%	3.5%	2.0%

Note: Targets have been set for 10% of programming output to be audio described by 2008/2009. Audio description was launched 15 May 2000.

Table 11 Signing

	Average hours		Target for year		Actual for year	
	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001
Average hours of signing per week	12.4	9.6	1.4%	1.0%	1.6%	1.3%

Note: Targets have been set for 5% of programming output to be signed by 2008/2009. Signing was launched 29 May 2000.

Table 12 Television hours of output by origin

	Programmes made in					Total 2001/2002	Total 2000/2001
	London	England (excluding London)	Northern Ireland	Scotland	Wales		
First transmission:							
Originated programmes							
Network BBC One and Two							
Factual	870	627	1	48	4	1,550	1,642
Education for children	36	3	1	6	1	47	127
News and weather	3,168	–	–	1	–	3,169	3,046
Current affairs	203	59	–	3	–	265	260
Parliamentary	148	–	–	–	–	148	181
Entertainment	723	145	4	13	–	885	856
Sport	1,341	–	–	–	–	1,341	1,471
Children's	258	84	–	111	–	453	480
Drama	278	125	16	23	6	448	381
Music and arts	161	8	12	11	16	208	212
Religion	10	101	1	3	–	115	120
Subtotal	7,196	1,152	35	219	27	8,629	8,776
Nations and Regions							
Factual and learning	–	–	57	84	42	183	176
Education for children	–	–	2	7	9	18	30
News and weather	186	3,004	337	375	304	4,206	3,828
Current affairs	5	101	23	31	13	173	220
Parliamentary	16	128	80	109	111	444	393
Entertainment	–	–	67	49	37	153	93
Sport	–	–	107	235	227	569	513
Children's	–	–	7	21	–	28	11
Drama	–	–	–	4	10	14	8
Music and arts	–	–	5	29	22	56	43
Religion	–	–	–	–	–	–	8
Subtotal	207	3,233	685	944	775	5,844	5,323
Acquired programmes	869	10	–	5	3	887	953
Total first transmissions*	8,272	4,395	720	1,168	805	15,360	15,052
Repeats							
Network	4,691	774	12	64	28	5,569	5,534
Nations and Regions	–	1	76	124	35	236	231
Continuity	519	20	99	114	123	875	846
Open University	784	–	–	–	–	784	766
Learning Zone	590	8	1	1	1	601	495
Total hours of broadcasting	14,856	5,198	908	1,471	992	23,425	22,924
*of which independents							
Network	950	434	32	63	4	1,483	1,557
Nations and Regions	–	11	81	112	89	293	260

Table 13 Network television hours of output, repeats only

General programmes	BBC One	
	2001/2002	2000/2001
Factual and learning	339	206
Education for children	–	–
News and weather	–	–
Current affairs	5	20
Parliamentary	–	–
Entertainment	273	255
Sport	25	96
Children's	142	151
Drama	160	193
Music and arts	2	3
Religion	5	2
Open University	–	–
Learning Zone	–	–
Acquired programmes	1,075	1,031
Continuity	–	–
Total	2,026	1,957
Of which narrative repeats	448	438
Repeats as a % of total output	24%	23%
General programmes	BBC Two	
	2001/2002	2000/2001
Factual and learning	379	358
Education for children	643	766
News and weather	–	–
Current affairs	11	1
Parliamentary	1	2
Entertainment	326	289
Sport	17	25
Children's	432	339
Drama	14	68
Music and arts	50	31
Religion	–	–
Open University	727	691
Learning Zone	561	435
Acquired programmes	1,670	1,698
Continuity	–	–
Total	4,831	4,703
Of which narrative repeats	274	303
Repeats as a % of total output	57%	56%

Hours of output – radio

Table 14 BBC Network radio hours of output

	On all platforms									
	Radio 1		Radio 2		Radio 3		Radio 4		Radio Five Live	
	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001
Music	8,472	8,437	7,422	7,434	8,126	8,112	–	–	–	–
News and weather	272	276	420	427	18	19	2,563	2,701	5,817	5,957
Sport	33	33	–	–	–	–	696	453	2,239	2,161
Knowledge	–	–	86	85	17	10	1,736	1,573	27	–
National debate	25	25	165	184	–	–	765	714	469	480
Drama	–	–	13	13	102	112	1,075	1,063	–	–
Arts	–	–	118	96	167	180	340	362	–	–
Comedy and entertainment	–	6	79	105	–	–	416	459	31	33
Religion	–	–	193	189	63	64	180	176	–	–
Schools/continuing education	15	15	–	–	208	197	44	46	–	15
Leisure	69	63	85	46	–	–	62	70	37	–
Presentations and trailing	145	149	179	181	59	66	55	65	140	114
Total	9,031	9,004*	8,760	8,760	8,760	8,760	7,932	7,682	8,760	8,760

* Radio 1 operates Nations' opt-outs from The Evening Session on weekday evenings.

	On digital platforms only					
	Five Live Sports Extra		6 Music		Total network radio	
	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001
Music	–	n/a	504	n/a	24,524	23,983
News and weather	–	n/a	–	n/a	9,090	9,380
Sport	200	n/a	–	n/a	3,168	2,647
Knowledge	–	n/a	–	n/a	1,866	1,668
National debate	–	n/a	–	n/a	1,424	1,403
Drama	–	n/a	–	n/a	1,190	1,188
Arts	–	n/a	–	n/a	625	638
Comedy and entertainment	–	n/a	–	n/a	526	603
Religion	–	n/a	–	n/a	436	429
Schools/continuing education	–	n/a	–	n/a	267	273
Leisure	–	n/a	–	n/a	253	179
Presentations and trailing	–	n/a	–	n/a	578	575
Total	200	n/a	504	n/a	43,947	42,966

Note: Digital radio – all networks are broadcast via DAB (Digital Audio Broadcasting), Dsat (Digital Satellite) and are streamed online.

Table 15 Network radio hours of output by origin

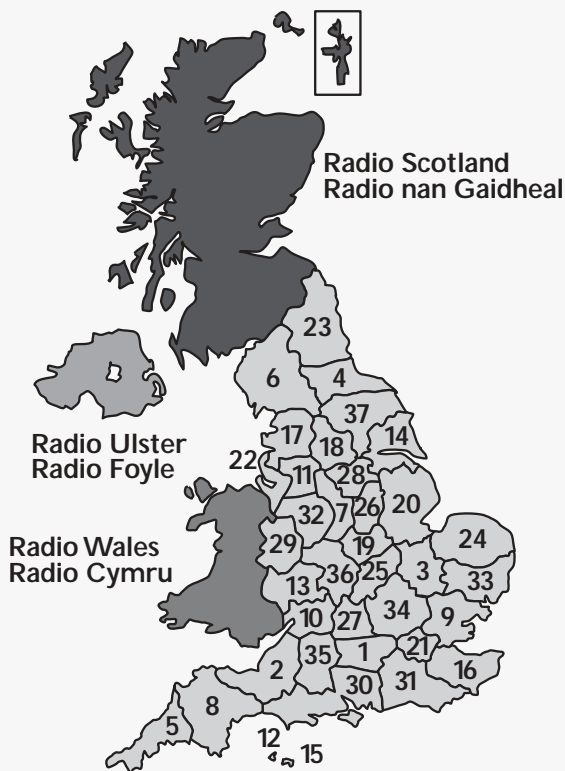
	Radio 1	Radio 2	Radio 3	Radio 4	Radio Five Live	Five Live Sports Extra	6 Music	Total Network	Nations and Local Radio*	Total	
										2001/2002	2000/2001
Programmes produced in London	8,349	5,784	6,617	6,220	8,472	200	504	36,146	8,736	44,882	44,487
Programmes produced outside London											
England excluding London	412	2,837	1,219	1,434	283	–	–	6,185	213,577	219,762	216,998
Northern Ireland	90	15	99	44	5	–	–	253	8,754	9,007	9,057
Scotland	90	120	367	163	–	–	–	740	10,394	11,134	10,787
Wales	90	4	458	71	–	–	–	623	13,570	14,193	14,043
Subtotal	682	2,976	2,143	1,712	288	–	–	7,801	246,295	254,096	250,885
Total hours of broadcasting	9,031	8,760	8,760	7,932	8,760	200	504	43,947	255,031	298,978	295,372

* Including BBC Asian Network.

Table 16 Nations' and Local Radio hours of output

Nations Radio	Population* Age 15+ (000s)	Total 2001/2002	Total 2000/2001
Northern Ireland:			
BBC Radio Ulster	1,306	6,119	6,158
BBC Radio Foyle	114	2,635	2,666
Scotland			
BBC Radio Scotland (including BBC Radios Orkney and Shetland)	4,176	8,326	8,309
BBC Radio nan Gaidheal	4,176	2,068	1,856
Wales:			
BBC Radio Wales	2,383	6,810	6,741
BBC Radio Cymru	2,383	6,760	6,723
Subtotal		32,718	32,453

Local Radio	Population* Age 15+ (000s)	Total 2001/2002	Total 2000/2001
1 Berkshire	784	3,329	3,290
2 Bristol (incl. Somerset Sound opt)	1,227	7,550	7,402
3 Cambridgeshire	603	5,710	5,437
4 Cleveland	700	5,093	4,973
5 Cornwall	411	5,493	5,686
6 Cumbria	381	5,666	5,283
7 Derby	583	5,130	5,150
8 Devon (incl. Plymouth opt)	912	6,367	5,834
9 Essex	1,163	5,269	5,023
10 Gloucestershire	460	5,291	5,231
11 GMR	2,073	6,705	6,779
12 Guernsey	49	4,179	4,007
13 Hereford & Worcester	487	5,287	5,341
14 Humberside	724	5,459	5,347
15 Jersey	71	4,228	4,212
16 Kent	1,284	5,535	5,542
17 Lancashire	1,126	5,865	5,970
18 Leeds	1,495	6,266	6,188
19 Leicester	751	5,069	5,060
20 Lincolnshire	484	5,311	5,118
21 London 94.9 (formerly London Live)	10,292	8,736	8,736
22 Merseyside	1,616	6,107	5,792
23 Newcastle	1,355	5,858	5,845
24 Norfolk	676	6,229	6,208
25 Northampton	435	5,089	5,112
26 Nottingham	730	5,753	5,676
27 Oxford	498	5,469	5,389
28 Sheffield	1,220	5,654	5,564
29 Shropshire	357	5,251	5,292
30 Solent (incl. Dorset opt)	1,458	7,364	7,376
31 Southern Counties Radio (incl. Brighton, Sussex and Surrey opts)	2,365	6,735	6,327
32 Stoke	599	5,127	5,095
33 Suffolk	418	5,140	5,107
34 Three Counties Radio	947	6,699	6,303
35 Wiltshire Sound	498	7,002	7,964
36 WM (incl. Coventry & Warks. opt)	2,756	8,815	8,607
37 York	462	5,548	5,156
Local Radio		215,378	212,422
BBC Asian Network	4,941	6,935	7,530
Total hours		255,031	252,405



* Based on Total Survey Area (the area over which the radio stations' audience is measured for research purposes), age 15+, for RAIAR reporting.

Note: An opt-out radio service broadcasts some of its own programmes for its local area, opting out of the main service.

Note: Details of BBC radio frequencies are available on www.bbc.co.uk/radio or by calling 08700 100 123.

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 Spend outside London

	2001/2002 £m	2000/2001 £m
Cost of Nations and Regions television originations		
England	75	70
Scotland	47	32
Wales	31	23
Northern Ireland	27	23
	180	148
Cost of regional BBC and independent productions for network television	229	218
Total cost of television originations in the Nations and Regions	409	366
Cost of Nations and Local Radio originations		
England – Local Radio	79	71
Scotland	19	19
Wales	18	17
Northern Ireland	10	9
	126	116
Cost of regional BBC and independent productions for network radio	35	32
Total cost of radio originations in the Nations and Regions	161	148
Other programme costs incurred outside London	51	48
Other costs, including transmission	86	104
Total spend in the Nations and Regions	707	666

Table 18 Distribution costs

	2001/2002 £m	2000/2001 £m
Analogue	75	74
Digital	52	42
Total distribution costs	127	116

Table 19 Comparative cost per household of viewing/listening per hour

	2001/2002 pence	2000/2001 pence
BBC	4.6	4.5
Sky multichannels (family package)	27.0	22.8
All pay television	19.7	19.4
Video hire	65.6	63.6

Source: BARB, RAIAR, BBC Strategy estimates. This table shows how the licence fee compares with other forms of entertainment for each hour of viewing or listening.

Table 20 Creative spend

	2001/2002 £m	2000/2001 £m
Independent programme productions transmitted	257	203
Acquired programmes transmitted	96	76
Artists, contributors and copyright	260	259
In-house orchestras	25	25
	638	563

Table 21 Cost per hour of originated programmes

	2001/2002 £000	2000/2001 £000
Television channels		
BBC One	146.1	132.3
BBC Two	98.2	91.4
BBC Choice*	107.6	52.4
BBC Four	98.5	–
BBC News 24	5.3	5.1
BBC Parliament	0.5	0.5
CBBC	19.6	–
CBeebies	42.2	–
BBC Knowledge	72.0	62.7
Radio stations		
BBC Radio 1	2.7	3.1
BBC Radio 2	4.0	3.3
BBC Radio 3	3.8	4.0
BBC Radio 4	10.7	9.6
BBC Radio Five Live	7.4	6.2
BBC Five Live Sports Extra	1.7	–
BBC 6 Music	0.4	–
Nations and Regions		
Television (BBC One/BBC Two/BBC Choice)	28.5	27.8
Radio (Local Radio/Nations)	0.5	0.5

* BBC Choice included a branded block of children's programmes shown between 6am and 6pm.

Table 22 Cost per hour of originated programmes by genre

	2001/2002 £000	2000/2001 £000
Analogue television programmes		
Factual and learning	104.2	92.8
Education for children	85.2	86.4
News and weather	51.7	54.0
Current affairs	117.5	118.2
Parliamentary	73.0	46.7
Entertainment	176.9	183.0
Sport	127.8	101.7
Children's	100.1	89.9
Drama	518.0	486.3
Music and arts	111.9	109.7
Religion	107.6	102.0
Digital television programmes		
Factual and learning	109.4	78.2
Education for children	–	–
News and weather	5.4	5.3
Current affairs	74.1	–
Parliamentary	0.7	0.5
Entertainment	98.2	78.3
Sport	–	52.0
Children's	25.0	5.3
Drama	267.5	93.7
Music and arts	52.9	47.8
Religion	59.5	–

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Ceefax: page 695

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BBC Television Centre

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London W12 7SB

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London W1A 1AA

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7 The Sanctuary

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Broadcasting House

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Glasgow G12 8DG

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Broadcasting Council for Wales

Broadcasting House

Llandaff

Cardiff CF5 2YQ

Head of Public Affairs and Secretary

Broadcasting Council for Northern

Ireland

Broadcasting House

Ormeau Avenue

Belfast BT2 8HQ

The Secretary

English Regions

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Administrator

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Explanation of technical terms and abbreviations used in this Report

BARB Broadcasters' Audience Research Board. A joint industry committee, funded by television companies and advertising agencies, which produces audience measurement and audience reaction data for the television industry. Data is published monthly. Since 1 January 2002 there have been modifications to the way BARB collects viewing figures. This means figures for 2001 and 2002 are not strictly comparable.

DCMS Department for Culture, Media and Sport. The Government department responsible for broadcasting.

Narrative repeats Programmes that appear twice in a weekly schedule.

Network programmes The term used by the BBC to mean programmes transmitted to at least 11 of our 14 Nations and Regions.

Originated programmes Originated programmes/originations are the first showing of programmes directly produced or commissioned by the BBC.

Page impressions Page impressions (PIs) measure the total number of visits to our website pages.

RAJAR Radio Joint Audience Research Limited is jointly owned by the Association of Independent Radio Companies and the BBC. RAJAR operates an audience measurement system for the radio industry. Data is published quarterly.

Reach The percentage of people viewing or listening to output for a defined period. The standard television definition (BARB) is three minutes consecutively, while that for radio (RAJAR) is 15 minutes consecutively. Usually measured daily or weekly. Online reach is the number or percentage of adult internet users (15 years +) who state they have used the BBCi website in the past month.

Share The amount of viewing of/ listening to a given station or service – expressed as a percentage of all viewing/listening – during a defined timeband.

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