

BBC

Annual Report and Accounts 97/98

**Strictly Embargoed until
13.00 Hours
Wednesday 15th July 1998**



Contents

- 1 Chairman's Introduction
- 2 The BBC Year
- 4 Value for Money
- 6 The Governors
- 8 Executive Committee

Director-General's Review

- 9 Overview
- 11 Television
- 15 Radio
- 19 News
- 22 Regional Broadcasting
- 25 Education
- 27 Online
- 28 World Service
- 30 BBC Worldwide Limited
- 32 Resources
- 33 Financial Review
- 35 Organisation and Management

Board of Governors

- 36 Strategy
- 37 Governors' Assessment
- 41 Listening
- 42 Report on Compliance
- 47 Reports to the Board of Governors
- 50 Performance Against Promises
- 51 BBC Objectives
- 52 Report of the Governors and Executive Committee

Financial Statements

- 53 Financial Statements

Reference

- 78 Facts and Figures
- 83 Awards

Chairman's Introduction

The BBC is the world's foremost public service broadcaster. Creatively and culturally it is one of the United Kingdom's greatest assets. Commercially it is Europe's largest broadcasting exporter. Educationally it makes a substantial contribution and has great potential. Internationally, the BBC World Service on radio has earned an unrivalled reputation for quality on which BBC World and BBC Prime on television are now building.

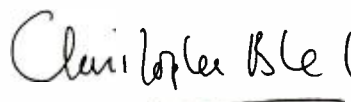
This Annual Report describes a year in which the BBC broadcast fine programmes, introduced exciting new services and delivered value for money to licence payers. But the best judges of the BBC's performance are viewers and listeners themselves and the best measure of our success is their use and appreciation of our services. In 1997/98, BBC domestic broadcasts reached 53 million people a week. Worldwide the figure was 280 million.

Our audiences must always be at the centre of the BBC's thinking. Everything we do must be designed to provide high quality, distinctive programmes and services which offer something of value to everybody. Our growing commercial activities have the same end in view – to support public service broadcasting by maximising the benefit for the licence payer.

In 1997, the BBC celebrated its 75th birthday. We are rightly proud of the BBC's traditions of public service, quality and creativity; but we cannot rest on our laurels. The pace of change in broadcasting is breathtaking and, as broadcasting changes, the BBC is changing with it. Today's BBC is moving confidently forward into the new world of digital broadcasting. Our plans and ambitions are carefully considered and we are already launching new services and making new alliances. But, as the trustees for the public interest in the BBC, the Board of Governors will ensure that standards and values are maintained and that the BBC continues to be a public service, universally available. It is – and will remain – your BBC.

The BBC is able to make quality programmes across a broad range and insist on the highest editorial and production standards because of the prime source of its funding – the licence fee. Public service broadcasting and the licence fee go together. Our job as Governors is to ensure that the BBC delivers the best value in services for which everybody pays.

This Annual Report accounts to Parliament and to licence payers for the BBC's performance in the year 1997/98. We hope you will find it clear, informative and candid. The BBC will continue to play a standard-setting role in the digital future. The Governors believe that today's BBC is equal to the task.



Sir Christopher Bland
Chairman



Sir Christopher Bland, BBC Chairman, welcomes the Queen on her visit to Broadcasting House in October. The royal visit marked the BBC's 75th anniversary.

The BBC Year

The BBC entered the digital age, launching more new services and winning more awards for its programmes than at any time in its 75 years.

Revealing documentaries

The Nazis: A Warning from History was one of many outstanding factual and documentary programmes broadcast during the year.



© AKG Photo London

Dramatic impact

The BBC achieved consistent success in both contemporary and period drama. Among the highlights were *Our Mutual Friend*, *Tom Jones* and *Holding On*.



New services

The BBC launched more new services than in any other year in its history. BBC News 24 and BBC Online are licence-fee funded services. New commercial services include the UKTV family of channels, produced with Flextech plc, and beeb @ the BBC.

Responding to what you say

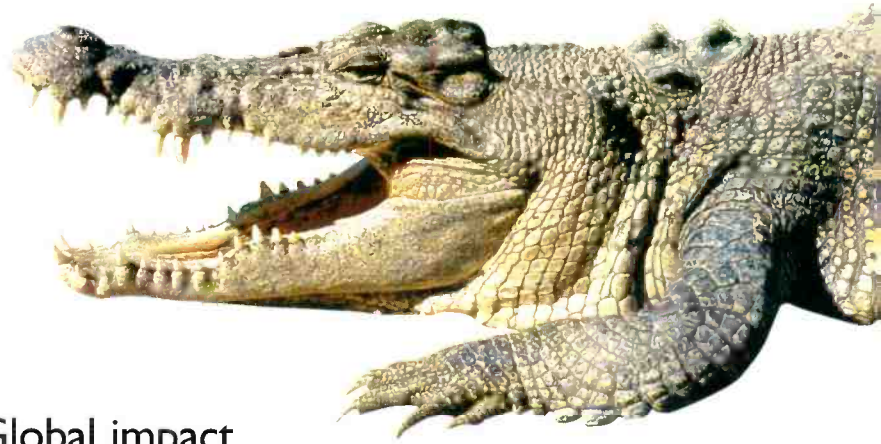
BBC Radio 4 consulted audiences very carefully before introducing a new schedule shaped by the views and interests of listeners.





75 years of quality

The Dalai Lama was one of a number of prominent world figures and celebrities who paid tribute to the BBC on its 75th birthday.



Global impact

We formed an important new partnership with Discovery to develop new channels and services that will carry the flag for BBC programmes around the world. These channels include BBC America and Animal Planet.



National events

Coverage of the funeral of Diana, Princess of Wales, was the biggest outside broadcast ever mounted by the BBC.

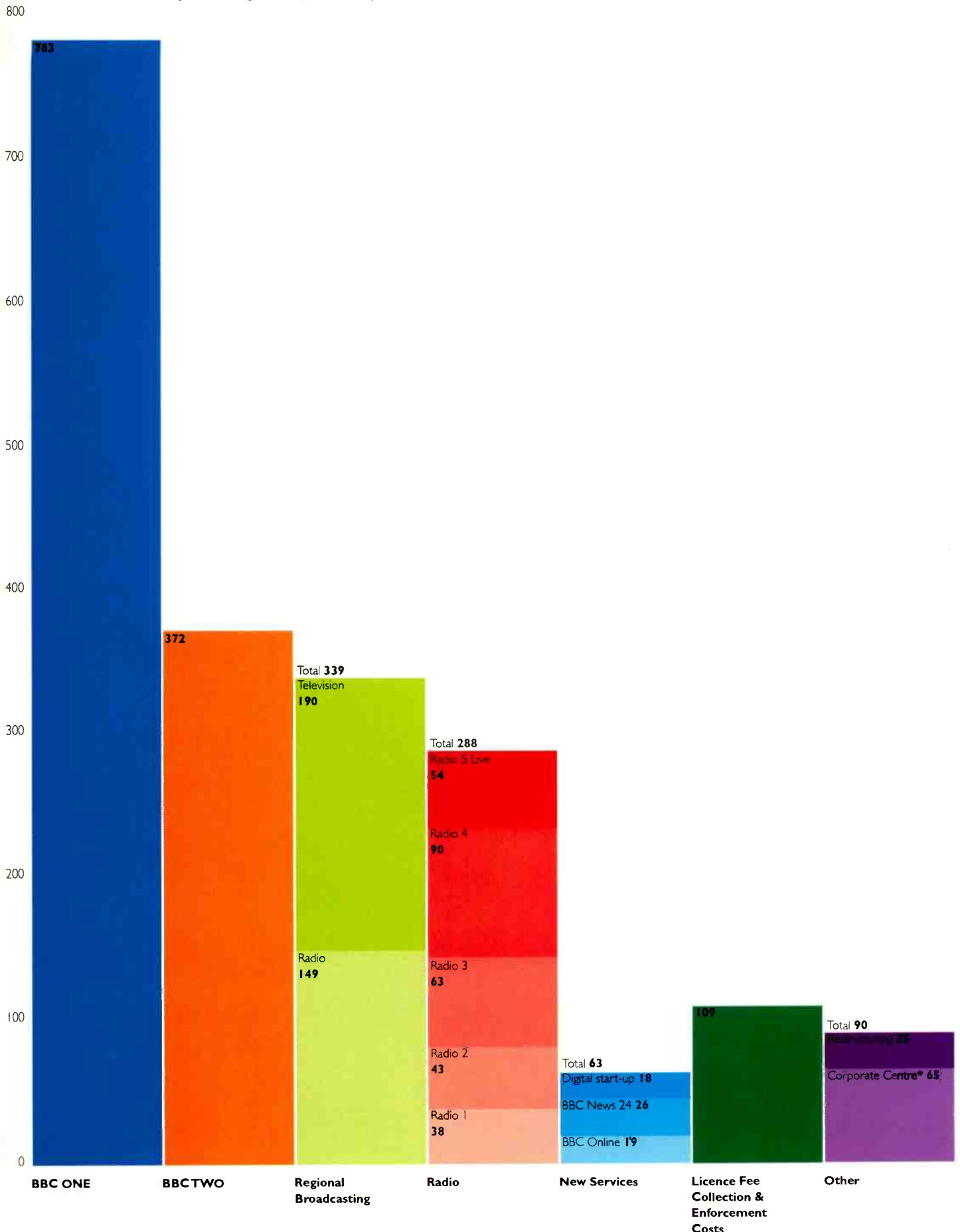


Supporting live music

The Manic Street Preachers performing at Music Live 97 in Manchester. The week-long festival attracted over 140,000 people to nearly 100 events – 41 were broadcast live.

The BBC – working to create

How the money was spent (£million) 1997 – 1998



*The Corporate Centre includes Corporate Finance, Personnel, Policy & Planning, Corporate Affairs and Legal Adviser.

value for money

The BBC has a unique purpose and special responsibilities. As a public service broadcaster, we serve audiences, not shareholders. In this report we publish information on programmes and services and a range of other facts and figures to show how we spend our funding.

Over 22 million licences create a revenue of £2.1 billion for public service programming. Added to this is income generated by BBC Worldwide, through the sale of programme rights and BBC branded products in the UK and around the world. This provides £75 million extra cash flow, enough to pay for 750 hours of new BBC television programming.

We strive to spend our income wisely and achieve best value on behalf of the licence payer. By greater efficiency we released £76 million, which was invested in programmes and new services.

- We maximise the value to audiences by exploiting programme assets in worldwide markets. Our success in this is reported on pages 30 and 31.
- We are subject to a range of regulatory requirements and we report on our compliance with these on pages 42 to 46.
- We publish financial information, to the extent expected of public limited companies in the UK, on pages 52 to 77.

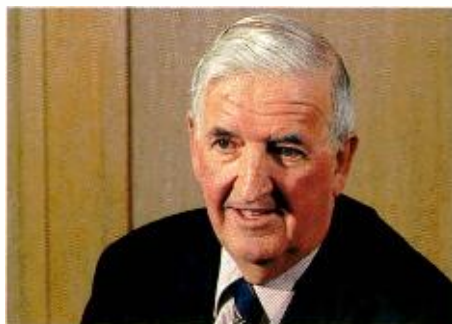
The Governors



Our overall assessment is of a BBC which is creatively strong, innovative and efficient, confident in its commercial ventures and abreast of technological change.

Sir Christopher Bland

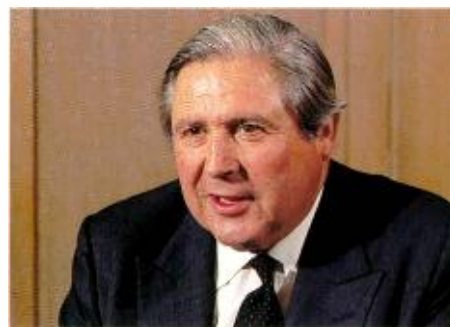
Chairman of the BBC since April 1996. Chairman of NFC plc since 1994. Deputy Chairman of the Independent Broadcasting Authority 1972–1979 and Chairman of London Weekend Television 1983–1994.



We are confident that the BBC offers excellent value for money and its financial management is in good order.

Sir Kenneth Bloomfield KCB

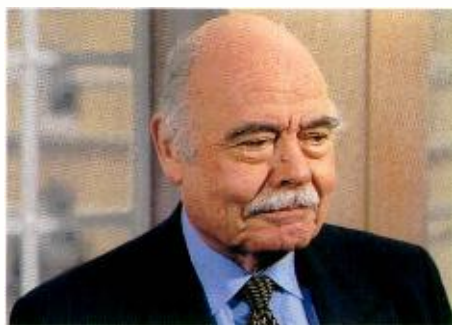
National Governor for Northern Ireland since 1991. Head of the Northern Ireland Civil Service 1984–1991. Chairman of the Northern Ireland Higher Education Council.



The BBC's commercial partnerships are well judged and well structured. They should be developed to support and reinforce the BBC's fundamental public service role.

Sir David Scholey CBE

Governor March 1994–February 1995 and since November 1995. Director J Sainsbury plc since 1996 and Vodaphone Group plc since 1998. Senior Advisor to SBC Warburg Dillon Read and International Finance Corporation. Director of the Chubb Corporation since 1991.



The Governors are satisfied that programmes complied overall with the BBC's editorial standards, including a new code on impartiality and accuracy, as set out in the Producers' Guidelines.

The Rt Hon Lord Cocks of Hartcliffe

Vice-Chairman of the BBC since April 1993. Government Chief Whip 1976–1979. Elevated to the House of Lords in 1987. Deputy Chairman of the Docklands Development Corporation 1988–1998.



The BBC's commercial ventures must always trade fairly. The Governors' Fair Trading Audit Committee ensured that they did so in 1997/98.

Janet Cohen

Governor since 1994. A director of Charterhouse Bank since 1988. Vice-Chairman of Yorkshire Building Society since 1995.



Scotland's programme making contribution continued to be creative and strong. The Governors attach great importance to the reflection of the diversity of the UK on the network.

The Rev Norman Drummond

National Governor for Scotland since 1994. Parish Minister of the Church of Scotland on the Isle of Skye. Headmaster of Loretto 1984–1994.



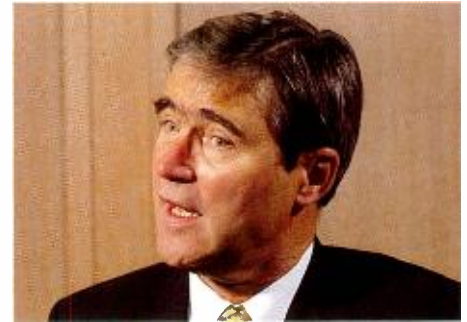
Regional television news outperformed the commercial competition and BBC Local Radio reached its 30th birthday in good shape.

Margaret Spurr OBE DL
Governor since 1993 and Chairman of the English National Forum. Headmistress of Bolton School Girls' Division 1979–1994.



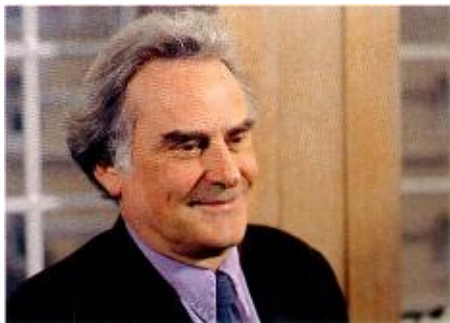
We believe the BBC is getting much better at listening to audiences and hearing what they are saying about the programmes – but there is more that can be done.

Adrian White CBE
Governor since November 1995. Chairman of Biwater plc which he founded in 1968. Chairman of the Epsom Health Care NHSTrust.



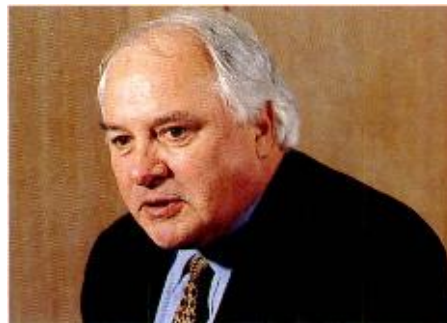
Before agreeing to the Radio 4 proposals, we satisfied ourselves that the network would remain the home of serious speech and lively debate and that standards would be maintained.

Bill Jordan CBE
Governor since 1988. General Secretary of the International Confederation of Free Trade Unions since 1995. President of the Amalgamated Engineering Union 1986–1995.



We want to see the best ideas and talents flourish, whether in-house or independent, but the BBC must never become purely a commissioning house. It must always aim to be more than the sum of its parts.

Sir Richard Eyre CBE
Governor since November 1995. Artistic Director of the Royal National Theatre 1988–1997. A former BBC television drama producer and director.



The BBC needs to ensure that it is truly accountable to viewers and listeners and works effectively with the Scottish Parliament and Assemblies in Wales and Northern Ireland.

Roger Jones OBE
National Governor for Wales since January 1997. Managing Director of a pharmaceuticals company, a member of the Powys Health Care Trust and Chairman of the Gwent Training and Enterprise Council. Chairman of Institute of Directors in Wales.



The World Service is a vital asset, not just for the BBC but for the UK. It faces formidable challenges in the digital world and greatly increased competition.

Dame Pauline Neville-Jones DCMG
Governor since January 1998. Vice-Chairman of Hawkpoint Partners Ltd (the corporate advisory arm of the NatWest Group) and a former Political Director and Deputy Under-Secretary of State at the Foreign and Commonwealth Office.

Lord Nicholas Gordon Lennox KCMG KCVO
Retired from the Board in December 1997. He had been a Governor since 1990.

Executive Committee



Upper row from left to right

Colin Browne

Director of Corporate Affairs since April 1994. Former Director of Corporate Relations and Chief Executive, BT Vision, at British Telecom.

Rod Lynch

Chief Executive, BBC Resources. Formerly Managing Director, Resources, from 1993 to 1996. Previous career with British Airways, followed by Air Europe and Forte Hotels.

John Smith

Director of Finance since August 1997. Formerly Deputy Finance Director, 1996–1997. Previously Financial Controller, Network Television, 1992–1996. Joined BBC Corporate Finance in 1989.

Lower row from left to right

Sam Younger

Managing Director, BBC World Service since November 1994. Previous positions in World Service include Head of Arabic Service and Head of Current Affairs. Joined the BBC as a talks writer in 1979.

Margaret Salmon

Director of Personnel since 1991. Former Group Personnel Director with the Burton Group.

Tony Hall

Chief Executive, BBC News. Formerly Managing Director, News and Current Affairs, from 1993 to 1996. Former programme producer and editor. Joined the BBC in 1973 as a trainee journalist.

Sir John Birt

Director-General since 1992. Joined the BBC in 1987 as Deputy Director-General. Previously Director of Programmes at London Weekend Television. Knighted in the Queen's Birthday Honours in June 1998.

Patricia Hodgson CBE

Director of Policy and Planning since January 1993. Former Secretary of the BBC. Joined the BBC in 1970 as a producer for the Open University.

Ronald Neil

Chief Executive, BBC Production. Formerly Managing Director, Regional Broadcasting, from 1989 to 1996. Previously Director of News and Current Affairs. Joined the BBC in 1967 as a reporter in Scotland.

Will Wyatt

Chief Executive, BBC Broadcast. Formerly Managing Director, Network Television, from 1991 to 1996. Previously Assistant Managing Director and Head of Features and Documentaries, Network Television. Joined the BBC in News in 1965.

Bob Phillis

Former Deputy Director-General and Chief Executive of BBC Worldwide Ltd. Left the BBC in November 1997.

Rodney Baker-Bates

Former Director of Finance and Information Technology. Left the BBC in May 1998.

Rupert Gavín

Joined the BBC as Chief Executive of BBC Worldwide Ltd on 1 July 1998.

Director-General's Overview

This has been one of the most challenging of the BBC's many years – one in which the BBC took confident strides towards broadcasting's digital age. It has had to develop new aptitudes to match its traditional skills and put its business acumen to the service of its values and principles. In a single year it introduced more new television channels and other services than throughout the rest of its life and it is poised to launch even more. For the first time, it made its global presence felt in all three broadcast media of television, radio and online and it formed crucial new commercial partnerships that will carry BBC programmes into homes around the world.

It is satisfying that all this should happen during the year in which the BBC celebrated its 75th anniversary. From our past, we have inherited the ethos and values that sustain the BBC in the present. Our unwavering commitment to public service broadcasting puts our audiences at the centre of what we do. Today, the BBC is as creatively strong as it has ever been. Our networks in radio and television are in vigorous health. Overall viewing and listening of BBC channels has dropped very little, in spite of a huge growth in competition. In every genre, our programme makers are innovating boldly. We have won more awards than ever: Our programmes swept the board at BAFTA – winning 20 of the 25 prizes in programme and technical categories and two special awards – and at the Sony Radio Awards, where we won 24 out of 29 competitive categories and also received three special awards. The future poses immense challenges for the BBC, but we have already begun to take advantage of the opportunities it provides.

New services

The BBC has always combined an allegiance to public service values with a pioneering role in developing new forms of broadcasting. In 1997/98 we demonstrated this clearly. Within the UK, we have introduced new public services funded by the licence fee. Since November, BBC News 24 has offered round-the-clock news to viewers on analogue cable. BBC Online is already the UK's most visited content-based site on the Internet, a gateway to 200 sites and over 140,000 pages. BBC News Online has quickly become the biggest content site in Europe, with over 50,000

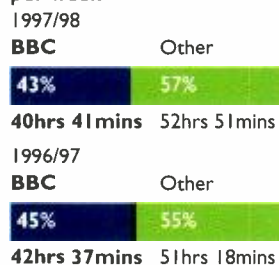
news stories available on the site. The next stage of BBC Online's development is the subject of a public consultation, the result of which will be published in the autumn. Working alongside one of our commercial partners, Flextech, BBC Worldwide launched three new channels: UK Horizons (factual programming), UK Arena (arts) and UK Style (living and leisure). We relaunched UK Gold, bringing four channels into the UKTV family.

In June of this year, we announced that BBC One, BBC Two and BBC News 24 would be available in digital quality. In peak time between a quarter and a third of programmes on BBC One and BBC Two will be available in widescreen format to those who have the equipment to receive digital satellite transmissions. Later this year, an additional new service, BBC Choice, will provide a complementary service to BBC One and BBC Two, and we shall play a leading role in the launch of digital terrestrial television when it is launched in November.

The BBC today is one of the world's biggest global broadcasters. We offer 7,500 hours each week of high-quality programmes at home and abroad. We are reaching an estimated global audience of 280 million people each week. BBC World Service launched its own international online service in April 1997. In Australia, we launched UKTV to provide a showcase for BBC entertainment and drama. In March, we introduced our own channel in the US, BBC America, and we signed the landmark half a billion dollar agreement with Discovery to launch a family of factual channels across the world. These will provide the BBC with a source of long-term sustainable cash flow to supplement the licence fee and will bring the licence payer greater value for money.

The nature of broadcasting is changing dramatically. If the BBC is to continue to offer a distinctive but genuinely popular service, it must adapt. It is already doing so, but the challenges are immense, in terms of funding, technology and competition. In the digital world of multichannel choice, the need for the BBC will be greater, not less. Real choice means genuine programme diversity that guarantees something for everyone. That is what the BBC exists to deliver. We will sustain the services that audiences know and trust, but we will also launch new ones and so continue to extend choice. As a public service broadcaster, funded by a universal licence fee, the BBC has a responsibility to make its

Total viewing/listening to BBC services per household per week



Source: BARB/RAJAR



Sir John Birt promised that the BBC would hold fast to its public service principles in his lecture at the Institution of Electrical Engineers in Savoy Hill – the site of the BBC's first headquarters.

services available on every television delivery system that licence payers will use – cable, satellite and terrestrial.

Programme excellence

The BBC is unique in the diversity and depth of programmes it offers on radio, television and online – globally, nationally, regionally and locally. Our documentary and factual programmes have never been better. Drama has turned a corner, finding greater consistency in both contemporary drama, such as *Holding On* and *This Life* , and in period drama, from *Our Mutual Friend* to *Tom Jones* . It has been the year of the observational documentary – from *Airport* to *Driving School* , *Hotel* to *The Cruise* – each revealing new facets of contemporary Britain.

Other genres have enjoyed conspicuous success. Our leisure programmes continue to reflect the taste, style and interests of viewers. The Natural History Unit marked 40 years of superb programme making that set world standards. *Teletubbies* had a huge impact and became a national talking point as Tinky Winky and friends became one of the most sought-after Christmas gifts of 1997. The educational campaign, *Computers Don't Bite* , gave nearly 100,000 viewers their first hands-on experience of computers. Classic comedies continue to thrive and new ones such as *I'm Alan Partridge* and *Goodness Gracious Me* (a transplant from Radio 4) were impressive. BBC Radio brought new clarity to each of its five national networks. Radio 4 was scrupulous in consulting widely before introducing a different schedule that more closely matches the listening habits of its audience.

In 1997/98, the BBC responded brilliantly and with sensitivity to some testing national events. Our General Election coverage captured the significance and emotion of a major political shift. We reported the historic devolution referendums and are now responding to the challenge of reflecting a changing political landscape in the UK. In the aftermath of the death of Diana, Princess of Wales, the BBC captured the sombre and troubled mood of the nation with professionalism and sensitivity. Our regional journalists contributed greatly to our coverage of a momentous week. During the year, audiences for the BBC's early evening regional bulletins overtook those for ITV for the first time and we introduced a regional Ceefax service.



The all-star version of *Perfect Day* epitomised the diversity of music tastes catered for by the BBC – thanks to the licence fee. It won awards for its creativity and from its sales over £1.8 million was donated to BBC Children In Need.

Modernisation

As an organisation, the BBC has experienced profound internal change in recent years. It is leaner and more efficient and has introduced new ways of working, alongside cutting-edge technology. The smoothness with which the BBC has launched so many new services is a testimony to the skill of people right across the BBC. We invested heavily in 1997/98 in digital infrastructure and next year we plan to invest even more. Technology is changing how we work and giving the licence payer greater access to programme information and to programme makers. BBC Online sites received 220 million page requests and we exchanged over 50 million e-mails in the year. Online and e-mail have also given us new ways to listen to audiences, providing us with valuable feedback on programmes and improving our accountability.

There is much we have to do to ensure that our infrastructure can keep pace with the demands being placed upon it. As the BBC takes its place within the new broadcasting environment, it is undergoing a technological transformation. This will be a major test for the BBC in the next five years.

In striving to bring the benefits of the new technologies to every home in the land, the BBC will remain true to its long-standing public service values and principles. The BBC in 1998 is a confident and dynamic institution. We are serving our audiences better than ever. We are alert to the world around us. We are ready to face the formidable challenges to come. We are, and intend to remain, one of the greatest cultural institutions in the world.

I'm Alan Partridge and its star, Steve Coogan, were among the many BBC winners at this year's BAFTA Television Awards.



Television

BBC Television in 1997/98 was enterprising, fresh, full of innovation and enjoyed considerable programme success. In what has been a vintage year, BBC One and BBC Two powerfully demonstrated how programming that is not commercially driven can more than hold its own against the competition. Our programmes appealed broadly to audiences across the UK and won a record number of awards. The BBC won 16 of the 27 prizes awarded by the Royal Television Society and 20 out of 25 BAFTA Television Awards in the competitive categories.

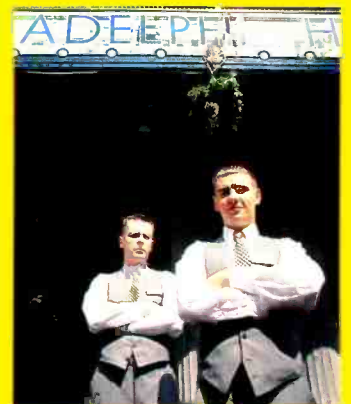
The BBC is committed to maintaining coverage of a wide range of sports from cricket, football, racing and golf to tennis and snooker.



The paint brush in Carol Smillie's hands was in constant use in *Changing Rooms*, one of the most popular of the BBC's portfolio of leisure and lifestyle programmes.



Hotel was one of many observational documentaries that attracted peak-time audiences on BBC television.



In 1997/98, the traditional broadcasters faced increasing competition from the newly launched Channel 5, as well from the ever expanding cable and satellite channels. Over a quarter of homes (27.2 per cent) and one-third of the population (18.2 million) now have access to multichannel television. Despite this, BBC Television has maintained its appeal with popular, high quality programmes. BBC One continued to narrow the gap with ITV, down to two per cent from eight per cent in 1993. BBC Two's audience share has held steady.

Factual programmes

The BBC aims to make its audiences feel absorbed, challenged and enriched by its programmes, and in this respect factual output excelled with a strong portfolio. *The Nazis: A Warning From History* documented the rise of Hitler's National Socialism, using previously unseen archive footage and recollections of survivors, including unrepentant Nazis. It was as compelling as it was original. *Provos* succeeded in combining revelation and impartiality with consummate skill. Michael Palin's gentle but perceptive *Full Circle* was entertaining and Chris Patten's personal portrait of the final days of Hong Kong, *The Last Governor*, most revealing.

Observational documentary serials – *Hotel, Airport, Holiday Reps*, *Vets in Practice* and *Driving School* among them – drew millions of viewers to peak-time slots. Maureen Rees' unequal contest with the steering-wheel in *Driving School* will long stay in the memory. Over 12 million viewers tuned into the final episode to witness Maureen pass her test at the seventh attempt. The antics of the staff in *Hotel* fascinated viewers while *The Cruise* gave an authentic view of life on board a luxury liner and consistently attracted above-average peak-time audiences.

Specialist factual programmes matched the achievements of our general programmes. The Natural History Unit in Bristol is recognised throughout the world for its innovative programmes, which over the past 40 years have set the standard for excellence in their field. In 1997 it enhanced this reputation when *The Natural World* achieved the highest viewing figures in its history. Another success was the landmark series for BBC Two, *Land of the Tiger*, which enchanted viewers with remarkable footage of wildlife on the Indian subcontinent. *Wildlife Special: Polar Bear* won the best

factual photography BAFTA award.

Science programming continues to improve – both in core programmes like *Horizon* and through innovative scheduling, such as the *Evolution* weekend. The most popular programme, *Animal Hospital*, regularly drew audiences of over ten million and older series, like *Tomorrow's World*, benefited from changes in the format and presentation team.

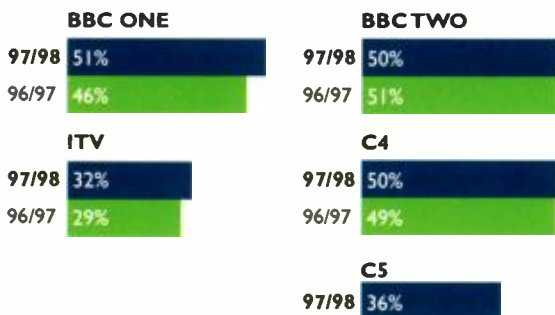
Religious programmes, based in Manchester, continued to broaden their output to involve a more culturally diverse audience, as well as seeking to interest those with no specific religious views in more general spiritual and moral issues. The Governors of the BBC receive regular reports from independent advice panels in their role as trustees for the licence payer. The panel assessing religious programmes commended *Songs of Praise* for its imaginative selection of venues and themes, but urged the BBC to make more religious programmes appealing to young people, and to reflect multi-faith Britain. The BBC is working to accomplish this.

Drama

BBC drama has been increasingly successful this year. Period drama has continued to attract viewers. *Tom Jones* won three BAFTA Awards and *The Woman in White* won two. *Our Mutual Friend*, one of Charles Dickens' least-known works, was another success, that brought the novel to life with real resonance. It was a strong year for contemporary drama. *Holding On* was an uncompromising exploration of modern London life, biting yet humane. It won both the RTS and BAFTA awards for best drama series. Its writer, Tony Marchant, was also considered best writer in the RTS awards. *Jonathan Creek* and *The Lakes* won BAFTA awards. *Born to Run*, *Playing the Field* and *Real Women* were also distinctive. Millions mourned the ending of *This Life*, with its irresistible realism and sharp scripts, which for many young adults has provided a definitive image of life in the nineties. Daniela Nardini won the Best Actress award from BAFTA for her portrayal of Anna.

A challenge for 1998/99 is to find the same consistency of success in returning dramas as we have found this year in serials and single dramas. We already achieve this with programmes such

Proportion of factual programmes in peak time



Source: BARB



One of the most compelling drama productions of the year was *Holding On*, winner of the BAFTA Television Award for Best Drama Series.

as *Casualty* and *Dangerfield*, but we need more such successes that become a part of viewers' lives. In popular drama, *EastEnders* continues to be innovative and remains the viewers' favourite BBC programme.

Comedy and entertainment

Comedy proved to be the big audience success of Christmas television in 1997, with special editions of *Men Behaving Badly* and *One Foot in the Grave*, each with over 15 million viewers, being the most watched programmes. Established titles and narrative comedy classics like *The Vicar of Dibley*, *The Thin Blue Line* and *Last of the Summer Wine* continue to perform strongly.

Broken comedy with its sketches and characterisations remains hugely popular. *The Fast Show* and *Harry Enfield and Chums* were more inventive than ever, and *Friday Night Armistice* won a cult following. One refreshing newcomer was *Goodness Gracious Me*, which successfully transferred from Radio 4.

Comedy is a hugely popular and vital part of British culture but, as markets and tastes fragment, the task of launching new series which appeal to mass audiences becomes all the more difficult. To find the next generation of mainstream successes is a major challenge for all broadcasters. Although some of this year's situation comedies have been recommissioned, others failed to ignite the enthusiasm of audiences. One outstanding success in 1997/98 was *I'm Alan Partridge*. This was named best comedy in the BAFTA awards and its star, Steve Coogan, took the award for best comedy performance for his portrayal of the failed television presenter.

Other genres

Leisure programming continued to engage audiences across a wide canvas, with programmes to transform your home, your garden, your cuisine and even your personal appearance. *Changing Rooms* made the transition from BBC Two to BBC One with panache, showing new audiences what can be achieved with imagination and medium density fibreboard. *Home Front* tackled interior design with bold colours, jig-saw and chisel. In *Ground Force*, Alan Titchmarsh proved as impressive in garden design as he is with spade and plant. *Looking Good* tried to sort out those

who lack dress sense, and found millions wanting to share the style make-over.

An independent advice panel was impressed by the range of output in this genre but felt the balance between information and entertainment was not always right and that opportunities to give more information and practical advice were sometimes missed.

In recent years the BBC has developed a number of spin-off programmes from existing long-running series such as *Top Gear*, *Watchdog* and *Holiday*. This has continued. However, we will be careful to ensure that the demands of efficiency, competition for talent and growing output do not exhaust the BBC's ability to produce the shows or deplete the appetite of audiences to watch them.

There has been progress in broadening the appeal of arts programmes. *Omnibus* covered an eclectic mix of topics from Salvador Dali to Reeves and Mortimer. On Saturday nights, *Travels with Pevsner* and the children's literature series *An Awfully Big Adventure* found appreciative audiences on BBC Two. *Making Masterpieces* revealed techniques used by Rembrandt and Renoir. The BBC needs to make more of an impact with its arts programming and attract a wider audience.

In live music events, we added to our normal coverage the Glastonbury festival, the Cambridge folk festival and jazz in the form of *Jazz 606*. A report on Music Live 97 appears in the radio section. *The Great Composers* was admired by critics and *Jonathan Miller's Opera Works* set out to demystify opera. Sir George Martin drew upon his rich experience to analyse *The Rhythm of Life* with a memorable contribution from Billy Joel.

Children's television faces increasing competition in multi-channel homes, where it is up against six specialist children's channels. It is most successful where it establishes a rapport with children and their lives. From the enduring appeal of *Grange Hill* or *Blue Peter* to the award-winning *Newsround Special* on bullying, this holds true. The outstanding children's drama of the year, *The Phoenix and the Carpet*, delighted five million viewers at Sunday tea-time. *Teletubbies*, a joint commission with BBC Education, has had an immense impact and brought educational benefit to pre-school viewers. An independent advice panel reported to the Governors that 'a great strength of children's television is that it



Wildlife Special: Polar Bear was one of a six-part series presented by David Attenborough to celebrate the 40th anniversary of the BBC's Natural History Unit.

The BBC plays an important role in nurturing new talent – writers, performers and producers. *Goodness Gracious Me*, first broadcast on Radio 4, has made a successful transition to television.



is prepared to offend parents – Children's BBC serves the children and not the parents ... this is a difficult position to sustain and the fact that the BBC does so was much admired'.

Sport

The year brought considerable changes for BBC Sport. Channel 5 arrived, a new competitor in the already crowded marketplace for sports rights. Other channels, having won the bidding, began to show events that used to be identified with the BBC. The BBC retains its commitment to sport, one of its traditional strengths. We have to be sure we are investing the licence fee wisely and this has meant that, on occasions, we have had to drop out of the bidding. However, we have secured the rights to coverage of key sports including football, tennis, rugby, racing, cricket and golf. We broke new ground with the first major new sports series on BBC One for 30 years, *On Side*, hosted by John Inverdale. Internally, our television, radio and online sports staff merged into a single multimedia department, a unique asset in one of the most competitive areas in British broadcasting.

Network programmes from the regions

We aim to make broadly one-third of BBC network programming outside London. Last year, BBC Television spent 31.3 per cent of its programme budget in the regions, just below the target. This was largely because, for production reasons, the delivery of *Invasion Earth* and *All Along the Watchtower* from Scotland was delayed until the 1998/99 financial year.

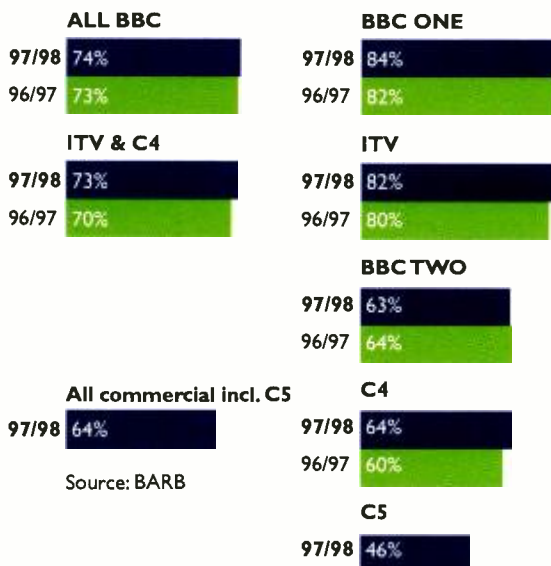
New services

The BBC has helped develop widescreen and digital technology and is leading its introduction in the UK. On 6 June, the BBC launched a widescreen digital preview service as a forerunner to the launch of regular digital television services later this year. BBC One, BBC Two and BBC News 24 will be broadcasting in widescreen; in peak time between a quarter and a third of programmes on BBC One and BBC Two will be in this format. BBC Choice will give a wider view, running programmes which complement those on BBC One and BBC Two as well as themed viewing and extra coverage of sports and events. The new

channel will also provide dedicated daily programming for viewers in Scotland, Wales and Northern Ireland. A new data service will also be launched which will encompass attractive graphics, easy navigation and quick access to areas of interest.

The future of broadcasting is digital technology. It is about to revolutionise the way we watch and the way we listen and the BBC is determined that licence payers will be able to enjoy the full benefits of the new technologies as it takes public service broadcasting into the digital age.

Commitment to UK production – new UK-made output in peak time (% hours)



The Phoenix and the Carpet attracted five million viewers on Sunday afternoons. The drama output from BBC Children's Television has a well-deserved reputation for quality and distinctiveness.



Radio

1997/98 has been a year of considerable change for BBC Radio. The five national radio networks – offering distinctive but complementary services – have provided a rich diet of high-quality programmes, against a background of intense competition. The average listener today can now receive 15 different stations, only six of which are from the BBC.

BBC Radio has adjusted well to the realities of the new competitive environment and brought greater clarity to the public service identity of each network. This achievement has been marked by the BBC winning 24 of the 29 Sony Radio Awards in competitive categories and three special awards.

Over a quarter of a million people attended the BBC Proms in the Royal Albert Hall. The season once again demonstrated the BBC's commitment to live music.



Humphrey Lyttelton presents *The Best of Jazz* on Radio 2, selecting the finest tracks from traditional to modern and from bebop to contemporary.



Zoë Ball and Kevin Greening took over the presentation of Radio 1's *Breakfast Show*, adding 230,000 listeners to the audience.

Radio

Radio 1

Radio 1 has faced another extremely competitive year. It succeeded in its main objective for 1997/98 – to create a mainstream music policy that offers a unique mix of new and established artists. Radio 1 plays more tracks before they become hits than other stations. In a single week analysed in detail 39 per cent of tracks were pre-release. What also makes Radio 1 stand apart from its commercial radio competitors is its commitment to live and specialist music. Its range has broadened this year. DJ Judge Jules joined Radio 1's line-up of dance experts, strengthening a genre of significant importance to the audience.

The station demonstrated its support for live music by emerging as well as established artists, with its most ambitious coverage yet of live broadcasts from the major festivals – Glastonbury, Phoenix, Tribal Gathering and the Notting Hill Carnival. Only on Radio 1 could listeners hear U2 live from Sarajevo or Oasis and Blur in concert in the same week.

The departure of Chris Evans in January 1997 led to a loss of audience for the *Breakfast Show*. In the first three quarters of last year, Radio 1 lost a total of one million listeners. The relaunch of the *Breakfast Show* in October 1997 with Kevin Greening and Zoë Ball has reversed that decline, adding 230,000 to the *Breakfast Show* and 260,000 to the station overall. Radio 1 continues to stay well ahead of its rivals with a weekly reach of over 11 million listeners, not far short of treble that of its nearest competitor.

Radio 1 puts its music into a wider context through *Newsbeat* and its entertainment news and through its documentaries and features. It addresses issues of importance to all young listeners through information campaigns on subjects like education, training, employment, health, relationships, drug abuse and racism.

Radio 2

Radio 2 has had an impressive year. The station reflects the heritage of popular music and culture, and is heard by nine million listeners each week. It has made good progress in attracting slightly younger listeners in the 40 to 54-year-old group, while retaining the loyalty of its core audience who are generally over 55.

Radio 2 has worked to attract new audiences in two principal ways. First, it has used Saturdays as a gateway, drawing in new listeners to, for example, Steve Wright, *The Comedy Hour* and Alan Freeman with *Pick of the Pops*. Second, Radio 2 has refined its music policy to offer a wide range of genres of music that is always tuneful and melodic. Independent research conducted in 1997/98 confirmed that Radio 2 plays a wider range of music than its key competitors. Where commercial stations tend to focus more on music from particular decades, Radio 2 broadcasts music spread across the years. Ninety-two per cent of the music output is played just once in a week. Radio 2 caters for every taste in both recorded and live music. Of all the stations sampled, it plays the most jazz and country and it is the only station to play choral, blues, brass and folk.

Radio 2 was prominent in the pan-BBC music initiative, Music Live 97, one of the most ambitious music festivals ever staged by the BBC. It was based in Manchester over one week in May, during which over 140,000 people attended 98 events, of which 41 were broadcast live.

Radio 2 provides a broader range than its competitors in speech-based programmes. Classic and new comedy, entertainment, arts, religion and the accessible current affairs of *The Jimmy Young Show* are all key elements of the output. Priority was given to information campaigns relevant to the audience, such as *Cancer and You*. It celebrated the BBC's 75th anniversary with programmes such as *Frank Gillard's BBC*, *The Story of Pop Radio* and *Radio's Golden Greats* from Alexandra Palace.

Radio 3

Radio 3 is Britain's leading patron and broadcaster of serious music. What distinguishes it from its main competitor is its commitment to playing complete works by composers, its depth of musical and cultural expertise, the live broadcasts of concerts, operas and recitals and its commissioning of new works.

Radio 3 reaches 2.6 million listeners each week, an increase of 230,000 listeners since last year. The network has responded to what its audience has been saying about the schedule and introduced a number of changes. The result has been improved presentation and new peak-time programmes, such as *Artist of*



Programmes like the rock 'n' roll sit-com *New Balls Please* have helped Radio 2 extend its appeal to a wider audience.

the Week. Radio 3 responded with extensive tribute programming after the deaths of Sir Michael Tippett, Sir George Solti and Sir Isaiah Berlin.

Half of the total amount of music played on the network is live or specially recorded. The BBC's 75th anniversary was marked by a performance of Elgar's *Dream of Gerontius* from St Paul's Cathedral. Another highlight was the première of Elgar's *Third Symphony*. The work was originally commissioned by the BBC in 1933, left unfinished by the composer on his death in 1934 and completed by Anthony Payne. The ongoing celebration of 20th century music, *Sounding the Century*, continues to delight.

The BBC Proms season attracted around a quarter of a million people to the Royal Albert Hall, the highest attendance figure on record. More than 36,000 people attended the Proms in the Park in Hyde Park, an increase of 10,000 on the previous year. In addition to broadcasting concerts by all the BBC Orchestras and the Proms, Radio 3 featured live opera prominently with 20 live relays from the Met in New York, 21 operas from leading British companies and nine from major European opera houses. As Britain's leading music patron, Radio 3 has a responsibility to develop the next generation of serious musicians. For *Young Artists' Forum*, 400 young musicians were auditioned in Manchester and London before the best 35 performed in concerts from Southampton.

Radio 3 supplies the listener with a richer context for music than the commercial competition, via such programmes as *Night Waves*. *The Sunday Play* provides a showcase for classic drama, contemporary stage plays and new writing. A new production of *A Winter's Tale* and Joe Orton's *Loot* were particular highlights. Programmes that develop the medium of radio itself are a speciality – a collaboration between BBC Wales and BBC Bristol, *The Night of the October Revolution*, brought listeners eight hours of documentary, discussion and live music from St Petersburg.

Radio 4

For Radio 4, it has been a year of considerable change. The main issue for Radio 4 has been the launch of a new schedule in April 1998. The changes were developed against a background of gradual audience decline. The number of listeners tuning into

Radio 4 for 15 minutes or more during a week fell from 8.32 million in 1996 to 8.07 million in 1997. Exhaustive audience research and consultation produced a clear picture of how and when listeners tune into the network. Listening is characterised by peaks for news programmes and troughs during other times of day, where many of the high-cost, innovative programmes were placed in the schedule. The new schedule is designed to balance the needs of dedicated Radio 4 listeners with those of occasional listeners who could be persuaded to tune in more. The guiding principle has been to combine editorial judgement, creativity and experience with new understanding of audience tastes and listening habits.

The majority of the most familiar programmes remain, though sometimes in new slots or with a different duration. Some – including *Kaleidoscope*, *Sport on 4* and *Going Places* – have been replaced after long and distinguished service.

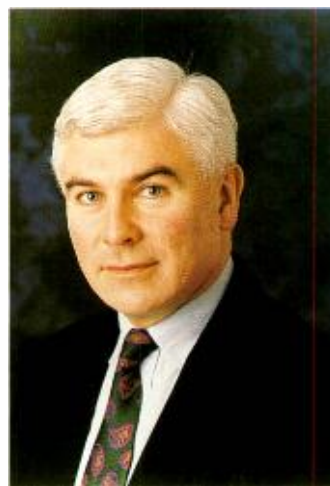
The new schedule affirms the BBC's intent to place the listener at the heart of its thinking. The BBC will ensure that Radio 4 maintains the esteem and loyalty of its audience through the excellence of its programmes. In 1997, that continued to be the case and Radio 4 continued to be the home of intelligent and engrossing speech. According to an independent advice panel report, 'Radio 4 continues to be a standard-bearer of excellence for the BBC, both in terms of authority and programme quality. The network is also a genuine national voice'.

Radio 4 will review the new schedule and make changes as appropriate.

The most popular programmes on Radio 4 are its daily news and current affairs. We covered the major news events of 1997 with distinction. A consideration of the coverage of the death of Diana, Princess of Wales, appears in the BBC News section. The year brought many important anniversaries that we reflected, such as the 50th anniversary of independence for India and Pakistan. Radio 4 celebrated the 75th anniversary of the BBC and also the 70th anniversary of *The Daily Service*, which is the longest-running daily programme in broadcasting and another indication of Radio 4's ongoing commitment to public service broadcasting.



Millions of fans of *The Archers* mourned the death of John Archer (played by Sam Barriscale). The ever-popular drama series gains an extra Sunday edition in Radio 4's new schedule.



As part of the changes to Radio 3's schedule and presentation, Sean Rafferty became the regular presenter of *In Tune*, combining music with interviews and news from the world of music and arts.

Radio 5 Live

Four years after its launch, the audience for Radio 5 Live, the live news and sports network, has never been higher. In the first quarter of 1998, an additional 500,000 listeners tuned in, bringing the station's highest-ever listening figure of 5.6 million. In May 1998 it won the Sony Award for UK Station of the Year for the second time in three years.

An independent advice panel was warm in its praise of Radio 5 Live's 'ability to respond rapidly to news stories as they break and to provide listeners with live coverage and updates, which gives it an edge over other networks on those occasions'. This was illustrated as much in the sensitive coverage of the national response to the death of Diana, Princess of Wales, as in the perceptive reporting of the Northern Ireland peace settlement.

Radio sports broadcasting is overwhelmingly dependent on live events and Radio 5 Live is working with the BBC overall to retain rights and ensure the best coverage of sports action despite increasing competition. BBC Radio has been able to guarantee universal access to sports events which have been lost by terrestrial television to subscription services. Live football, particularly the Premier League, is the biggest audience winner both on Saturdays and on weekday evenings. The Premier League has now extended Radio 5 Live's exclusive national contract until the summer of 2001. The Ryder Cup attracted four million listeners to Radio 5 Live and a similar number visited the network's website. Sometimes, a sporting event becomes a major news story. The 1997 Grand National – with the evacuation of Aintree and postponement of the race prompted by a terrorist threat – was such an occasion. The magazine, *Sportsworld*, made a strong debut on Sunday mornings with a string of news-making contributors. During the year, Radio 5 Live has made changes to the programme schedule and introduced some new voices. Nicky Campbell, who has brought added vigour to the mornings, can attract up to 5,000 calls in an hour, while David Mellor's end of season football phone-in generated 44,000 calls in 90 minutes.

Digital radio

The BBC continues to maintain its leading role in the development of digital radio. We achieved our target of extending

transmission coverage to potentially 60 per cent of the population by April 1998. We will continue to pilot broadcasting of the five national networks live on digital radio, in addition to extra sport with Radio 5 Live Sports Plus, BBC Parliament, BBC Extra and experimental data broadcasts, in readiness for the digital radio era.

Nicky Campbell joined Radio 5 Live as presenter of a hard-hitting phone-in programme that gives listeners the opportunity to debate the big issues of the day.



Listeners can follow top sporting action on Radio 5 Live, once again the UK Station of the Year in the Sony Awards.



News

BBC News serves audiences in Britain and overseas with intelligent and impartial journalism that engages and enlightens – and helps people to make sense of the world. This was a year of considerable achievement. BBC News successfully tackled some of the most significant news events in years and launched new continuous services, BBC News 24 and BBC News Online. Radio 5 Live, as reported in the previous chapter, was named UK Station of the Year in the Sony awards. BBC News is widely seen as the first choice for reliable and trustworthy news – it achieved a remarkable 70 per cent share each week of all viewing and listening to network news and current affairs in the UK.

Journalism

This was a year of exceptional news events, covered by BBC News with impeccable judgement: Labour's election victory, the death of Diana, Princess of Wales, and the return of Hong Kong to China. We also saw the Iraq crisis, the 50th anniversary of Indian and Pakistani independence, the death of Mother Theresa and the turmoil in the Asian economies. The Northern Ireland peace talks progressed during 1997 towards the historic agreement on Good Friday, 1998.

We have made a considerable effort to improve the depth and range of our journalism. We have continued to invest in our specialist journalism, emphasising the importance of bringing fresh insights and revelations to complex matters. There has been much outstanding reporting. Jane Standley in Africa, Allan Little in Moscow and Denis Murray in Northern Ireland were honoured by the Queen. Denis Murray was also named RTS Journalist of the Year. Fergal Keane's coverage of Hong Kong, Philippa Thomas from the USA, Rageh Omaar and George Alagiah in Iraq and Niall Dickson on social policy also stand out. In many cases, BBC journalism was strengthened by extended live coverage made possible by additional investment in Newsgathering.

BBC News also provided television and radio networks with some distinguished series. Peter Taylor's insightful *Provos* and the revelatory inquest on *Black Wednesday* are superb examples. On radio, *The Kennedy Tapes* and *Letters From a Diplomat* were revealing. On both existing and new services we are covering a greater variety of stories and innovating with fresh treatments.



In *The Kennedy Tapes*, the secret recordings made by President Kennedy and his advisers told the inside story of what went on in the White House during the Cuban Missile Crisis.

Examples range from an expanded agenda on Radio 4 news programmes, through *Here and Now*, in which Juliet Morris seeks the response of a live studio to news reports, to *The Enormous Election* with Dennis Pennis, a special programme aimed at younger voters.

Diana, Princess of Wales

The sudden death of Diana, Princess of Wales, posed a great challenge for us as journalists and broadcasters. The BBC rose to the occasion magnificently. The day of the death itself was most testing. We strove to keep audiences informed while, at the same time, capturing the response of the nation – the shock, the bewilderment and sometimes the anger. In a week of powerful emotion and drama, our journalists displayed consummate professionalism and sensitivity.

On the day of the Princess's death, millions of viewers watched events unfold on television. For listeners, Radio 4 combined with Radio 5 Live to provide a joint news service, with 19 hours of sensitive, accurate and responsible programming. It was important to strike the right tone. An independent advice panel, commenting a month later on the radio coverage provided by the BBC, commended the restraint, the lack of speculation and the way in which 'a picture of events was slowly and carefully built up in what were incredible circumstances'. The extent of public involvement in the events of the week is illustrated by the record numbers who tuned in to watch the Queen's address to the nation on Friday 5 September followed by the *Six O'Clock News*.

The funeral was a unique and compelling national experience. A total combined television audience of 31.8 million people watched it live on 6 September on BBC One, BBC Two, ITV, Channel 5 and Sky News. BBC One's live coverage attracted an audience of 19.1 million. For radio listeners, Radio 4 and Radio 5 Live again produced a joint programme.

Political programming

Reporting the democratic process and informing the national debate are at the heart of the BBC's public service mission. The BBC has strengthened its reporting of politics and Parliament across radio and television. News of changes in parliamentary

Celebrating the results of the referendum in Scotland.. BBC News reported the issues in depth and, as the results emerged, there was special live programming on radio and television.



broadcasting provoked much debate. The BBC's Chairman, Director of Radio and Controller of Radio 4 attended a series of meetings at Westminster to hear the views of parliamentarians. The plans were approved by the Governors in March 1998 but will be subject to regular reviews and research. The new schedule includes an extra 55 hours per year of parliamentary coverage on radio, including an extended *Yesterday in Parliament* on Long Wave. *Today in Parliament* now runs at 30 minutes five days a week; the extra time on a Friday is devoted to coverage of select committees. *The Week in Westminster* has moved from Saturday mornings to Thursday evenings. We have discontinued *In Committee*, which ran on Sunday nights when Parliament was in session. We have divided its remit between the Friday night *Today in Parliament* and *The Westminster Hour* – a new programme on Radio 4 each Sunday evening (LW and FM) which runs throughout the year. On television, we are replacing *The Record* and *The Midnight Hour* with a new programme, *Parliament Square*, on BBC Two. The changes to television programmes will take effect in October after the summer recess.

Audiences

The UK market for broadcast news has become more competitive and fragmented in the last year. Competition between the terrestrial broadcasters has intensified, as illustrated by Channel 5's decision to reschedule its early evening news in direct competition with Channel 4's. The audience figures for the *Six O'Clock News* are remarkably stable. However, with the exception of the *Six O'Clock News*, audiences for all the main television news strands have declined. The reach of both BBC and ITV news is down slightly and our share has fallen modestly in multichannel homes. In contrast, audiences to BBC Radio 4 news programmes are steady. BBC Radio 5 Live continues to reach more listeners and its audience share has grown from 3.5 to 3.9 per cent over the last year.

In this competitive context, the BBC has a clear responsibility to maintain its high standards and to ensure that all audiences can receive an appropriate news service. To increase our understanding of audience needs, we have carried out a review of news programmes. This has shown us that we must serve younger

audiences better in many areas. In part this is being achieved through the success of new services, in particular BBC News Online, that bring in new audiences not generally well served by traditional news programmes. In response to the review, we have started to broaden some of our most valued news programmes, such as *Newsnight* and *Today* which continue to exemplify tenacious interviewing of public figures while recognising that there is scope for equally rigorous but less confrontational approaches too.

There have been some suggestions in the media that we are lowering standards. This is not the case. We are maintaining our traditional strengths and there will be no erosion of standards.

Global broadcaster

With the impact of globalisation and significant changes within Europe, our responsibility to help the licence payer make sense of these events has never been greater. At a time when many other news organisations are reducing their commitment to foreign reporting, the BBC is doing more. BBC News has invested an additional £5 million in its global newsgathering operation, an increase of ten per cent. The additional investment has added a breadth, depth and live quality that gives BBC journalism an edge over its competitors. It has enabled us to recruit an additional 30 specialist journalists, to increase the amount of live coverage available and re-equip our journalists with digital technology for reporting and editing. BBC News today has 42 overseas bureaux and over 200 specialist correspondents worldwide and employs around 2,300 people producing output for 12 BBC channels and services.



The transfer of Hong Kong to Chinese rule was one of the major international news events of the year. The BBC covered the handover ceremony live and broadcast a number of documentary series, including *The Last Governor*.



The UK and Irish Prime Ministers celebrate the historic Good Friday agreement. BBC journalists followed every twist and turn of the Northern Ireland peace talks.

New services

We launched three significant new services in November: BBC News 24, BBC News Online and regional Ceefax. All have made confident debuts and are building audiences. BBC News 24 is the first part of a new package of television services reflecting the BBC's investment in the digital future. It was launched on analogue cable on 9 November and is now available to 2.2 million households. In addition, all licence payers have an opportunity to see BBC News 24 between close-down of normal programmes on BBC One and the start of breakfast programmes. BBC News 24 will be carried on all digital platforms as they become available. It draws on the BBC's newsgathering resources, including the 13 regional newsrooms in Scotland, Wales, Northern Ireland and the English Regions, and our bureaux overseas.

BBC News Online has been a resounding success. It has quickly become the biggest news content site in Europe. By June 1998 it was attracting more than 12 million page-views per month. Around 300 new stories are posted every day, there are over 50,000 stories available on the live site and at least 7,000 stories are viewed every day. Users are able to explore news stories in as much depth as they wish and are never more than a few mouse clicks away from reading or hearing the correspondents' despatches. The site has developed a strong interactive relationship with its users. For example, more than 5,000 people e-mailed their views on the Indian and Pakistani nuclear tests.

A significant investment in new information systems and technology has accelerated new working practices. At the forefront is the Electronic News Production System (ENPS) which together with Omnibus (a digital editing, graphics and transmission system) is in the forefront of providing staff on BBC News 24 with an automated newsroom. After initial teething problems, ENPS is enabling us to produce news programmes more efficiently and at greater speed than ever before. These changes have secured early efficiencies, so that we have exceeded our savings targets, enabling us to invest more in revitalising existing programmes.

The pace of change and the scale of the challenges facing BBC News will not abate. BBC News has a clear sense of its strengths and where it needs to work harder. With the world's biggest

newsgathering operation at its disposal and an unparalleled range of specialist journalism, BBC News is well placed to serve audiences in the new broadcasting environment.



The BBC launched BBC News 24 in November; its first round-the-clock television news service for viewers in the UK. It is available on cable and through the night on BBC One. BBC News 24 will be broadcast on digital satellite when it becomes available.

BBC NORTH WEST	
INJURED REDKNAPP MISSES FRANCE '98	391
FOOTBALL: World Cup winners for Jamaica	
LIVERPOOL SET TO CLENCH DUNDEE DEAL	392
Manx star Carlsby linked to Everton	393
Docton put £5m bid on Thompson head	394
113 on trial at Warrington A Park trial	395
1998 County Championship summary	396
Minor Counties scorecards on Ceefax	396
LIVERPOOL: Cunningham back for Saints	397
Wounded Warriors set to bounce back	397
COLLING: BOARUMAH PREVIEWS BRIT TOUR	398
RESULTS: Regional football and rugby	399
N WEST News 100	Weather 400
NATIONAL News 101	TV/Radio 400

Ceefax has been expanded to offer a local television text data service throughout the UK. Regional Ceefax brings viewers the most up-to-date information from their region.

Regional Broadcasting

This has been a momentous year for Regional Broadcasting. The political landscape was transformed by votes in favour of a parliament for Scotland, a national assembly for Wales and an assembly for Northern Ireland. We celebrated the 30th birthday of BBC Local Radio in England and introduced a regional Ceefax service. For the first time our early evening news programmes overtook those of ITV. The current strength and quality of the BBC's regional programming was recognised by the Royal Television Society. The BBC won all three of the Society's Regional Programme Awards this year.

Journalism

The core activity of the BBC's regional broadcasting is its journalism. For the first time since the current audience research methodology began, BBC regional news programmes achieved bigger audiences at six-thirty in the evening than their ITV counterparts, becoming the most watched news slot anywhere on British television. Over the last two years, what had been an eight per cent deficit in share across the UK has been gradually transformed into a lead for the BBC of one per cent. This is the result of greater journalistic expertise and of steady improvements in presentation and production standards.

During this period, we have extended the lunch-time and early evening bulletins, created a new Sunday evening bulletin, added more live coverage, introduced subtitling and launched local versions of Ceefax across the UK. Regional Ceefax will prove a particular asset when we extend our digital services with a regional online service, offering viewers the most up-to-date news from their region on their television or personal computer. Regional Broadcasting also added an important extra dimension to BBC News 24 – distinctive UK-wide coverage has been a unique asset for the new round-the-clock television channel.

The biggest national news events of the year – the General Election, the death of Diana, Princess of Wales, the referendum votes in Scotland and Wales and the rapidly unfolding political process in Northern Ireland – all carried great significance throughout the UK.

In February, special one-hour programmes on the state of the National Health Service were transmitted in each region to mark

the 50th anniversary of the NHS. The programmes used the largest survey of its kind on people's attitudes to the NHS.

Our coverage of the referendums in Scotland, Wales and Northern Ireland was fair and comprehensive. Audiences to our special television results programmes outnumbered those of the equivalent commercial offerings – with twice as many preferring the BBC in Scotland and more than three times as many in Wales. In Northern Ireland, the political settlement agreed on Good Friday was marked by special programming over a four-day period across radio and television in the largest outside broadcasting event ever mounted by BBC Northern Ireland. As devolutionary changes take place, the BBC will respond to the new constitutional agreements effectively and imaginatively with appropriate programmes and services that reflect the scale of the political transformation taking place. It presents a significant challenge that will test our journalism, but on the evidence of 1997 our newsrooms are well prepared.

Television current affairs in Scotland, Wales and Northern Ireland has demonstrated its strength in investigative and authoritative programmes with *Frontline Scotland*, *Week In Week Out* and *Spotlight*. Each produced exceptional programmes during the year. *Frontline Scotland* revealed the threat to health from the *E.coli* bacterium in human sewage used as fertiliser; *Week In Week Out* excelled in its reporting of social issues and *Spotlight* produced courageous reportage on the background to the peace process. BBC Northern Ireland journalist Noel Thompson received the RTS Regional Presenter Award for his outstanding work on the current affairs series, *Hearts and Minds*. The Royal Television Society voted the BBC's *Midlands Today* the Best Regional Programme in its annual Sport and Journalism Awards.

Our own annual tracking survey produced positive results. The viewers' perception is that our regional news programmes have made noticeable advances in professionalism, presentation, accessibility, trustworthiness, quality, mix, agendas, depth, interviewing skills, expertise, geographical coverage and 'being in touch'. Viewers consider the BBC's regional daily news programmes to be more trustworthy, have more depth and deliver a higher quality service than those of its competitors, although we are seen as less warm and friendly.



Sony award-winning presenter Roger Bennett, of BBC Radio Bristol. BBC Local Radio celebrated 30 years of serving local communities last November.

Midlands Today was named best daily news magazine in the Royal Television Society Journalism Awards. Audiences to early evening news programmes from BBC Regional Broadcasting overtook those of ITV for the first time.



Television services in Scotland, Wales and Northern Ireland

BBC Scotland has produced a wide range of strong programmes. *McCoist and MacAulay* and the Hogmanay programming were particularly popular. In addition, an innovative and ambitious history series *Stirring Times* provoked both praise and criticism from other quarters for its radical approach. Sports coverage continued to perform well.

The English language output in Wales was stronger in range and in scheduling than last year. BBC Wales won two of the three RTS regional awards. The Best Regional Programme was *Food for Ravens*, a distinctive drama celebrating the life of Nye Bevan. Its central star Brian Cox was, in the view of the judges, 'unforgettable'. However, the network showing of this programme was scheduled rather too late in the evening for some viewers. The Regional Documentary Award went to *Tales from the Health Service – A Doctor's Tale* for its brilliant communication of the values of a community. Comedy and entertainment also did well, with *Satellite City* and *For One Night Only* both popular with viewers.

After the disappointment of losing the Welsh club rugby contract to S4C/HTV in 1996/97, BBC Wales' sport bounced back with coverage of the Heineken European Rugby and the new Football Association of Wales tournament. Welsh language programming for S4C continues to serve audiences with popular and original programmes. *Pobol y Cwm* maintained a healthy, if slightly lower, share of the Welsh-speaking audience.

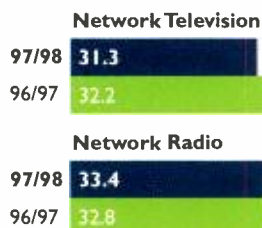
In Northern Ireland, the outstanding entertainment initiative of the year was *Making A Difference*. This showed life in Northern Ireland in a highly positive light, climaxing in a variety programme from the Grand Opera House which achieved 20 per cent above the UK average share for the time slot. The writer and former Beirut hostage, Brian Keenan, added a distinctive and historical perspective to *A Patriot's Fate*, marking the 200th anniversary of the 1798 Rebellion. *The Lives of our Times* was a critically acclaimed television popular history of Northern Ireland. BBC Northern Ireland also hosted the *BBC Young Musician of the Year* – a major event at the Waterfront Hall.

Proportion of network programmes (by value) commissioned from outside London and the South-East

%

Target in 1997/98

'Broadly a third'



'Restated to include news and education



Making A Difference from BBC Northern Ireland lived up to its title by showing Northern Ireland in a positive light, reflecting the richness of life in the community and the strength of its culture.

Radio services in Scotland, Wales and Northern Ireland

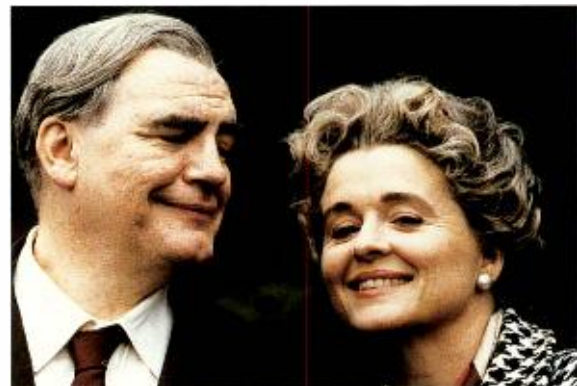
In the face of intense and increasing competition, local radio in England and our radio services in Scotland and Wales had increased their overall audience share at the end of 1997. Radio Ulster, the most popular speech-based radio station in the Province, also attracted more listeners each week. All the BBC's regional radio services continue to extend their appeal significantly. A large number of listeners do not use any other BBC radio service at all, but are reliant on the news, information, conversation and a range of programmes provided by BBC regional and local radio services. The core of the audience is predominantly aged over 50. Only Radio Scotland and Radio Cymru have been able to improve their appeal to the 25 to 44-year-old group. Younger listeners tend to use other radio services.

After identifying dips in the audience figures at certain points in the schedule, Radio Scotland has made sensitive changes to address the weaknesses. Radio Wales has built on the success of its 1997 Sony Station of the Year Award, asserting itself as the national station for Wales in the English language. Energy and vitality have become the hallmarks of Radio Cymru, drawing in younger listeners. In Northern Ireland, BBC Radio Ulster is the leading national radio station and plays a unique role in bringing all sectors of the community together.

Local Radio in England

Local Radio celebrated its 30th anniversary on 8 November, with a special programme by its founder Frank Gillard, broadcast by every station. The anniversary provided the opportunity for a season of celebratory programmes, but also the moment to reflect. Local Radio aims for a uniformly high standard of programming that fully reflects local diversity.

Radio WM had a highly successful year, winning the Sony Gold Award for Regional Station of the Year in one of the most competitive parts of England. However, less successful was the BBC's local station in London, GLR 94.9, which has less than a one per cent share of the total audience in London and is faced with 23 competitors. We need to bring clarity to its public purpose so that it has a distinctive role within the portfolio of services available.



The drama *Food for Ravens* was one of two Royal Television Society award winners from BBC Wales. It portrayed the politician Nye Bevan, founder of the National Health Service – 50 years after the start of the NHS.

Social action campaigns dealing with issues such as loneliness at Christmas are now co-ordinated for the first time across all stations in England. The Asian Network has grown in its scope, attracting increased audiences and with more syndication of its material across relevant local radio stations outside the Midlands. It plays a leading role in reflecting the multi-racial aspects of contemporary life in Britain and, by extending its remit across the local radio network, the Asian Network provides an important service to licence payers.

Network programmes made in Scotland, Wales and Northern Ireland

It has been a vintage year for drama from BBC Scotland. An outstanding production was undoubtedly *Mrs Brown*, with Judi Dench as Queen Victoria and Billy Connolly as John Brown. It was launched on cinematic release at the Edinburgh Film Festival and received a Golden Globe, a BAFTA award and an Oscar nomination for Judi Dench. Robert Carlyle gave a memorable and chilling portrayal of a drugs dealer in *Looking after Jo Jo*. BBC Scotland's children's output saw more success with a strong series of *Fully Booked*, and, in features, *Wild Harvest* proved popular across the UK.

BBC Wales continues to provide music coverage of outstanding quality. *The Dream of Gerontius*, *Cardiff Singer of the World*, *Everything to Play For* and Fauré's *Requiem* were acclaimed by critics and audiences alike. *Visions of Snowdonia* was a welcome springboard for increased factual output from Wales. To enjoy such levels of advancement across all programme genres presents a greater challenge. These successes cannot disguise the fact that a number of drama series – *Drovers Gold*, *Tiger Bay* and *Mortimer's Law* – did not have sufficient audience appeal to be recommissioned.

From BBC Northern Ireland, *Ballykissangel* continues to enchant Sunday evening audiences, while *The Ambassador* with Pauline Collins has been recommissioned. Building on strength and developing network production from Scotland, Wales and Northern Ireland is a key strategy for the future.



Robert Carlyle starred in *Looking After Jo Jo*, a challenging contemporary drama for the network from BBC Scotland.

The portrayal of Queen Victoria by Judi Dench and John Brown by Billy Connolly provided BBC Scotland with its most prestigious drama hit. The film *Mrs Brown* went on to win a succession of awards.

Education

Education lies at the heart of the BBC's public service remit. The BBC has no rival for its range of informative and educational programmes – many of them broadcast at peak times, attracting audiences of millions. The learning environment as a whole is changing rapidly as interest in education grows and digital technology opens up new learning opportunities. To ensure that the BBC plays a central role in helping people of every age and social group to learn more in this changing environment, we have developed a five-year strategy, BBC Learning in the Digital Age. Our overall aim is to achieve maximum impact for the full range of the BBC's education and information services. In the past year we have produced innovative and appealing programmes for each of the four key audience categories we have identified: children, parents and teachers; those who would benefit from social action initiatives or from learning certain basic skills; people who are keen to learn; and those who want to improve their skills for work.

The BBC has a distinctive role to play in producing high-quality learning materials for young children and their parents, with educational content of real value and plenty of support for those parents who want it.

For pre-school children, we launched *Teletubbies*, a runaway success, entertaining, visually innovative, and tailored for the youngest of all our viewers, those under three years old. *Teletubbies'* impact has been phenomenal. Its daily audience is between 400,000 (in term-time) and 1.5 million (during holidays). The educational content of *Teletubbies* has been widely recognised. An independent advice panel considered it to be 'imaginative, innovative and remarkable'. International recognition came with the award of the coveted Japan Prize for educational programming. The queues outside toy shops at Christmas demonstrated its unique appeal as parents scrambled in search of Tinky Winky, Dipsy, Laa Laa or Po. We will be following up *Teletubbies* with a new pre-school series for three to five year olds for transmission in 1999.

The BBC is the leading provider of programmes to primary schools and is supporting the national campaign to improve literacy and numeracy. Approximately 88 per cent of teachers use our television programmes regularly and 64 per cent use our radio cassettes, ranging from *Listen and Write* and *Dance Workshop*

The adventures of Tinky Winky, Dipsy, Laa Laa and Po – the *Teletubbies* – brought educational programming to the under-3s.



to the new *Animated Bible* series. By distributing our audio programmes on cassette, we have made access easier and increased the number of schools using this resource, according to the most recent figures available, from 75 to 87 per cent.

In secondary schools, 80 per cent of teachers use television and video output, of which two-thirds is specifically made for schools. *Science in Action* ingeniously and entertainingly explained scientific concepts and reached 72 per cent of schools. Research undertaken by King's College, London, demonstrated the educational value to pupils who watch *Science in Action*. Questioning of secondary children before and after watching it showed that pupils had benefited substantially.

The BBC has had mixed success with programmes dedicated to issues of parenthood. *Everyone's Got One* offered a broad look at family issues for daytime viewers, but its very range made it difficult for audiences to identify with. The *Having It All* season was more successful in dealing with the challenges of combining careers and parenthood. Parenting is an important theme that we will develop more fully in the future.

BBC Education is leading the way in developing online technology as an aid to learning. Audience appreciation of our extensive website is growing. We now offer over 8,500 web pages, which have attracted over five million page views. The health website has generated almost 100,000 page requests. An interesting innovation is the introduction of *Alert*, an e-mail service to keep users abreast of BBC radio and television programmes with suggestions for further reading and information about local events, in subject areas in which listeners and viewers have expressed an interest.

The Learning Station, launched in January, is a suite of online services for children, teachers and parents, offering material which supports the curriculum, including games and opportunities to be interactive and take part in discussions.

An increasing number of pupils choose to supplement their learning at home. *GCSE Bitesize* is the first ever exam revision service combining television, books and the Internet. Shortly after its launch, it attracted 15,000 visits a day to the website and generated over 62,000 telephone enquiries and 500,000 requests for leaflets.



Children of Divorce was acclaimed for its sensitive handling of a difficult subject. The BBC remains committed to placing this kind of social action programming in peak slots.

The BBC takes its role as 'web educator' seriously. As individuals increase their understanding of the part new technologies will play in their work and in their personal lives, we will help them to acquire the skills they need. Last year, we invested £5.8 million in campaigns across all BBC outlets. These reached over 32 million people.

We directed *Computers Don't Bite* at the millions of people who want to become computer literate but may lack the opportunity or confidence to do so. The campaign had real impact, reaching nearly 17 million viewers and prompting 150,000 people to call the helpline. One million magazines were distributed. Ninety thousand people were encouraged to use a computer for the first time. This year, *Computers Don't Bite: Teachers* will contribute to the government's plans for the National Grid for Learning, helping to implement the vital first step towards getting teachers comfortable with information and communications technologies.

Health and social issues are always of particular concern to audiences. *The Big C*, a campaign that focused on cancer, provoked a huge response. Over 550,000 cancer guides were distributed in association with the Macmillan Fund. A harrowing season on *Bullying* prompted 2,400 viewers to contact the helpline, 65 per cent of whom were seeking help for the first time. The campaign revealed how widespread bullying has become, in the home, school and workplace and, disturbingly, how little of it has come to light.

'Lifelong learning' has become a significant theme in modern Britain. The government has begun to set out its plans for a University for Industry. The BBC is actively involved in its development. We are taking part in the pilot project in Sunderland and the Key Skills Initiative, developed in partnership with major national agencies, is a valuable additional resource.

Successful peak-time programmes like *Trouble at the Top*, *Jobs for the Boys* and *Back to the Floor* are not overtly educational, but they give insights into the world of work for a wide audience. Those who want to pursue ideas presented in the programmes can do so through a variety of sources, from information packs to Open University course material in *The Learning Zone*.

Another initiative is *The Lunchtime Learning Hour* on BBC Two. This offers daytime viewers a mix of new programmes and

selections from the archives – providing the audiences with quality programmes at relatively low cost to the licence payer. Programmes are linked to information which encourage viewers to follow up the learning in some way.

In the coming year, BBC Education will continue to think of more ways in which it can add educational value to all programmes, not just those made specifically for schools, to teach skills or open a window onto the workplace. As the provider of the widest range and greatest depth of broadcast educational content in Britain, we are developing a sense of how our programmes and services will be delivered on demand to schools and individuals. We want to give every licence payer the opportunity to derive something of educational value from the BBC, whatever their aspirations or ambitions.



Computers Don't Bite was so effective that 90,000 beginners gained their first hands-on experience of computers as a direct result, using a specifically designed CD-ROM.

Back to the Floor took people in senior positions back to where they began their careers: here Gillian duCharme, the headmistress of Benenden, copes with teaching a mixed ability class in an East London comprehensive.



BBC Online

The rapid growth in popularity of the Internet has been remarkable. The take-up of its services and the development of digital technologies are accelerating at an exponential rate. Online has become a broadcast medium in its own right. The BBC has responded to public demand by ensuring that users of the Internet have a public service choice in the digital age that fully reflects the BBC's core values. BBC Online commenced full service on 15 December 1997 and best estimates are that it is now the largest media-based website in the UK. By June 1998 we offered over 140,000 pages of content, of which 61,000 were devoted to news. The number of visits to our public service pages increased from 9.9 million hits per month in December to 18 million hits by March 1998.

All BBC Online content is accessible from a single URL or web address of www.bbc.co.uk. Our home page has a crisp and clean look, with a harmonious design standard across the entire site. Our online pages measure up to the same editorial standards that apply to all BBC programmes and services and are subject to normal BBC producer guidelines. We have introduced a navigation system which supplies an intuitive and clear route for users to find their way around the site and return to the home page.

An estimated 43 per cent of BBC Online's audience are at work when they connect to the service. One-fifth are students connecting from their place of study. BBC Online is broadening the appeal of the BBC to under-served audiences and making widely available the whole gamut of services on offer – from information and programme support to news, education and sites for children.

The interactivity inherent in the medium enables us to engage with our audiences in a fresh way – adding a dimension of immediacy that is already benefiting BBC programmes. Viewers of *Tomorrow's World* have taken part in the world's biggest international and simultaneous music mix via BBC Online. Current affairs programmes, including *Today*, receive questions e-mailed from listeners to be put to interviewees within the programme. The most popular sites include that of Radio 1 – where users can keep fully abreast of the latest developments in contemporary music, hear clips of new music and make their own music mixes – and, inevitably, *Teletubbies*.

As more of the public move online, the BBC will help individuals to understand the importance of the new technologies and acquire the skills to use them. As a natural follow-up to BBC Education's *Computers Don't Bite* campaign, we will provide a web tutor for Internet beginners, called *BBC Web Wise*. Additionally, the *BBC Web Guide* will direct users to other high-quality sites across the web. It will rely on users themselves to recommend sites which will then be validated by the usual BBC editorial processes.

BBC Online has also pioneered many sites and services – it is innovative and demanding in its content. The BBC World Service site is outstanding – offering an English language audio feed and online news in Arabic, Cantonese, German, Mandarin, Russian and Spanish. BBC News Online has been a great success – offering a news service of immediacy and depth which enables users to read, hear and see selected reporter despatches, bulletins and clips. The BBC Online channel re-packages existing online content from BBC sites and from other external services. We plan to use 'push' technology to alert office users by e-mail to what is available of interest to them, on a personalised self-selection basis. Another innovative service is the *BBC Ticker*, a small downloadable ticker-tape application that displays a personalised choice of headline information – news, sport, finance and weather.

A major public consultation is under way to ensure that the BBC responds to the needs and online aspirations of licence payers. The results will be published in the autumn.



The homepage of BBC Online gives access to over 200 BBC sites with essential programme information, the BBC News Online service and many innovative opportunities for interactivity. The website address is: <http://www.bbc.co.uk/home/today/index.shtml>.

World Service

The BBC is the world's leading international broadcaster. The BBC World Service is the world's first choice for accurate and authoritative news. Freely available and produced without commercial or political pressures, it is valued as much in media-rich societies as in countries where it is an information lifeline to those with no other source of reliable news. Its radio programmes in English are broadcast across the globe and 43 other language services are available regionally. In addition to news and analysis, these services offer a wide range of features, music, cultural and educational programmes, including English language teaching.

In 1997/98, the World Service faced radical changes and new challenges in many of the countries to which it broadcasts. The BBC is competing for people's time and attention in an increasingly crowded global marketplace. The growth of television is eroding international radio audiences in the developing world and audibility remains problematic in some regions. As a result, there has been a small overall decline in the estimated audience of the World Service from 143 million in 1996/97 to 138 million in 1997/98. The fall is most marked in developing countries, for example in Egypt, where the lack of an FM service and the impact of television have reduced the BBC's audience by over four million listeners. In Europe, overall audiences are slightly down, largely owing to the closure of the Finnish language service. However, audiences are increasing in other countries – up by 2.2 million in Russia, up by half a million in Ghana and other parts of Africa. In the United States and the Caribbean, audiences have risen to record levels.

The World Service still commands a mass audience in countries where there is little else that people can depend upon. In countries such as in Afghanistan, Somalia and Rwanda the BBC acts almost as a national broadcaster. However, the number of such countries is diminishing. The audiences which find the World Service of most value tend to be the more highly educated, for whom it is their first choice for authoritative international news. In Turkey, for example, while only one per cent of the Turkish population listens to the BBC World Service, it reaches 25 per cent of the country's opinion formers.

The decline in real terms in grant-in-aid funding of 15 per cent over the five years to March 1999 presents another challenge. The

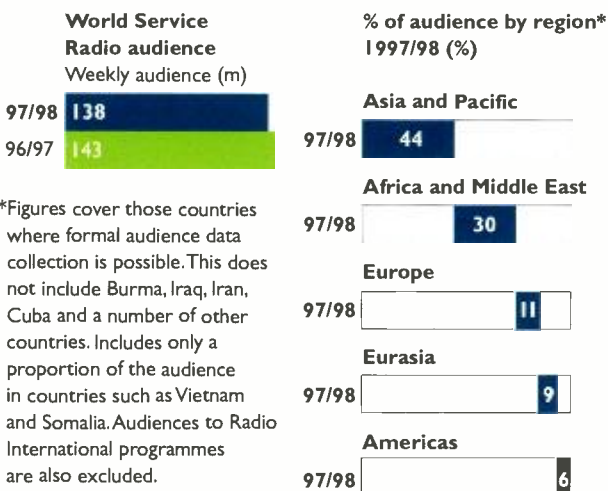
1997/98 grant-in-aid for broadcasting, at £156.5 million (£144.4 million operating and £12.1 million capital), is lower in real terms than in 1996/97. The World Service reported a loss of £3.9 million in 1997/98 due to a provision raised in the year to begin to reflect the likely dilapidation charge when the Bush House lease runs out in 2005.

We have responded to these challenges – increasing competition and a decline in funding in real terms – by focusing more sharply on the needs of all our audiences through changes to the schedule and by commissioning new programmes. Perhaps most significant of all in the longer term, we have become a multimedia broadcaster.

Our priority is to build a rapport with our audiences and produce what is most relevant to them, with more sensitivity to the varying needs of each country and region. For this reason, we have begun to renew the schedule of the BBC World Service in English and launched ground-breaking new programmes like *Everywoman* which has succeeded in bringing together women from different countries and from different walks of life. The World Service now has its own twice-weekly drama serial *Westway*, set in a fictional health centre in west London. A new two-and-a-half hour breakfast show, *The World Today – for Europe*, went on the air in April. Listeners outside Europe can enjoy a half-hour edition of the new format. More programme changes will follow later in the year.

Within the new schedule, we will do more to reflect a contemporary Britain that is changing, providing a showcase for the best of British talent. The World Service is a vital national asset. The values it represents – of impartiality, independence, integrity, trustworthiness and creativity – reflect well on Britain. They also help our exporters, giving a sense of a modern Britain that is at the cutting edge of new technology and design.

Technology is transforming both how people listen to our programmes and how we reach audiences. There is no longer a single global delivery system that is appropriate to every audience or every type of programme content or genre. Listeners are beginning to switch from short-wave to FM, where this is available. Some listen on the audio channels of satellite and cable television. This process will accelerate in the coming year. More than 900



BBC World Service has made changes to its schedule this year with new programmes to widen its appeal. Anna Umbima and Jane Garvey are the regular presenters of *Everywoman*, a magazine programme that brings together women from around the world.

national and local radio stations in over 90 countries now re-broadcast World Service programmes, and about 15 per cent of the BBC's total audience now comes from rebroadcasting. This opens up possibilities for closer co-operation with other broadcasters and brings a significant improvement in reception. For example, we have made rebroadcasting agreements in South Africa, Argentina and Brazil, where the BBC has won a UN Award for its drugs awareness programme. In the United States, *The World* co-production now reaches 100 radio stations and has an audience of over 750,000 for the first time. A rebroadcasting agreement with Radio Russia has opened up new audiences across the Russian republic. But this is not possible everywhere. In some countries – India is the prime example – FM access is highly restricted.

For the World Service, the launch of online services in 1997 was an important milestone. Anyone with access to the Internet can now hear the World Service English-language Americas stream, live throughout the day, via an arrangement with the Dallas-based Internet broadcaster, Broadcast.com. It is available via our website: www.bbc.co.uk/worldservice. In addition to English, web users can follow the news in Arabic, Cantonese, German, Mandarin, Russian and Spanish. As access to the Internet increases, the World Service is well positioned to gain new listeners. Another audience-winner is the availability of learning programmes in English and many other languages. The BBC Marshall Plan of the Mind Trust makes educational programmes for Russia and other transitional economies in Eastern Europe and Central Asia. We also assist, through the World Service Training Trust, other broadcasters to develop broadcasting skills and have opened broadcasting training schools in Sarajevo, Bucharest and Ekaterinburg.

BBC Monitoring, based at Caversham, offers a global media monitoring service to subscribers, with sources in 140 countries and 70 languages supplied in electronic and in printed form. Grant-in-aid funding was replaced by subscription-based funding in 1997/98. Over 920,000 reports were made available in 1997, of which 153,000 were selected via online facilities.

In the coming year, the World Service will invest more in new services to make possible the introduction of television news

programmes in selected languages, drawing upon existing BBC material. We aim to launch a second World Service in English channel and to increase use of FM and digital systems to improve reception. We hope to win support from the government for this strategy and reverse the decline in funding. If we succeed in meeting all of these challenges, the BBC can be as important in the next century as it has been in this – a uniquely trusted voice in a world where there are few certainties.

The World Service's new twice weekly drama serial, *Westway*, is supported by an English language teaching programme, *Westway Access*. The drama is set in a fictional health centre in a multi-racial community in West London.



Diplomatic correspondent, Barney Mason, reports for the World Service from the Middle East. The World Service now draws on the BBC's 200 specialist journalists working across the globe to bring viewers and listeners news characterised by its authority and accuracy.

BBC Worldwide Limited

Partnership with Discovery

A key objective for BBC Worldwide in 1997/98 was to get the best value for BBC programmes in world markets. To this end, on 19 March 1998, it signed an agreement with Discovery, one of the world's fastest growing media organisations, to create a strong global force in factual broadcasting. This has been the most ambitious international deal we have undertaken. The BBC, via BBC Worldwide, brings to the deal its programme making expertise and a considerable programme archive. In return, Discovery provides the start-up funding to launch various channels around the world.

The partnership has already seen three channel launches. Animal Planet was introduced in Latin America in October 1997 and will become a global channel, using 200 hours of programme material made by the BBC's Natural History Unit. People and Arts made its debut in Latin America in October 1997 and is now available to six million cable subscribers in 19 countries. More than 200 hours of BBC documentary programmes and biographical dramas will be shown on the channel in its first year. BBC America is the BBC's own network in America – a dedicated subscription channel showing the best of BBC drama, entertainment and news. It is owned by BBC Worldwide and marketed and distributed by Discovery. The channel was launched in March.

Partnership with Flextech

Earlier in the year, we signed an agreement with Flextech plc to launch three new subscription channels in October 1997 simultaneously with the relaunch of UK Gold under the umbrella UKTV. UK Gold is one of the most popular satellite and cable television channels available in the United Kingdom. The three new channels are UK Horizons (factual programming), UK Arena (arts) and UK Style (living and leisure). The BBC retains editorial control of the channels, while Flextech has funded their development, pays the operating costs and is responsible for the marketing and distribution. Audiences have responded positively. Advertising and distribution figures will increase over time.

Overall performance

From global sales of £409 million this year, the cash flow to the BBC rose from £53 million last year to £75 million in 1997/98, sufficient to fund 750 hours of new BBC television programming. In future years, we aim to increase this significantly. Overall sales have risen by 16 per cent and borrowings have fallen. However, continuing investment in new channels, especially BBC World and BBC Prime, has led to a decrease in operating profit year on year. The total benefit to the BBC of commercial activities – including third party co-production investment in BBC programmes – was £91 million, an increase of 23 per cent on 1996/97.

BBC Worldwide's business activities fall into three key areas: Publishing, which includes magazine, book and video publishing; Programme Distribution, consisting of international sales of BBC programmes; and Channels, which includes the channels operated by BBC Worldwide in Britain and overseas. A fuller overview of the performance of each business unit is given in BBC Worldwide's own Annual Report, published separately. A summary follows.

Publishing

Magazines have enjoyed a very effective year. Twelve of our 18 titles are number one in their sector, with sales up ten per cent and contribution up 13 per cent. *Radio Times* is Britain's biggest selling listings magazine for television, radio and films. It has held its own in a declining market and its profits have increased. Circulation of all BBC Worldwide magazines other than *Radio Times* has increased by over 50 per cent in the last five years. Other outstanding titles include *BBC Music*, *Top Gear* and *BBC Wildlife* which, jointly with the Natural History Museum, organises the world's most prestigious wildlife photography competition. Four new titles were launched this year – *Family Life*, *Good Homes*, *Tomorrow's World* and *Teletubbies* – and one title was dropped.

Within the consumer publishing portfolio, *Teletubbies* was the outstanding success, generating income of £23 million. This was the BBC's first fully co-ordinated development plan to exploit a single programme property across all BBC media outlets and, from its success, invaluable experience has been gained. The magazine topped the list of the BBC's six magazines for pre-

BBC Worldwide and the BBC

The BBC's commercial arm, BBC Worldwide Ltd, is a wholly owned subsidiary of the BBC. It exists to ensure that licence payers benefit from the full value of their 'assets' – BBC programmes – by selling BBC programmes and products and generating revenue which is ploughed back into public service programming. BBC Worldwide's activities must not use, or put at risk, licence payers' funds. BBC Worldwide operates at arm's length from the rest of the BBC and pays the BBC for the right to extract the commercial value of BBC programmes. These payments are at market rates and are bench-marked regularly.

BBC Worldwide's over-arching financial objective is to provide the BBC with a source of sustained growth in cash flow. BBC Worldwide provides cash to the BBC's licence-fee funded services, by directly investing cash as co-producer of BBC programmes, and by returning profits, after tax, to be spent on public service programming.

As well as selling BBC programmes around the world and licensing merchandise associated with programme brands, BBC Worldwide has

recently been developing a strategy to create more long-term value from licence payers' assets by creating channels, in the UK and overseas, to showcase BBC programmes. This channel strategy is pursued through joint ventures, such as those described in this section. These are structured to create value without using licence payers' funds.

BBC Worldwide is directly accountable to the Director-General and to the Board of Governors, like every other BBC directorate. Its accounts, which are independently audited, are consolidated into the BBC's Group Accounts but are also published separately. BBC Worldwide is subject to the BBC's Fair Trading Commitment, which requires commercial activities to be consistent with the BBC's programme purposes, compete fairly in all markets and not place licence payers' funds at risk. This is monitored by the Board of Governors and independently reviewed and reported on by the BBC's external auditors.

school children. *Teletubbies* videos filled the top two positions in BBC video and book sales.

In the area of new media, this was a difficult year, largely because the CD-ROM market did not develop as hoped. We have a commanding position in the children's and education markets, but the area is over-supplied and unprofitable for those within it. Despite this, we published eight CD-ROM titles and saw a 250 per cent increase in sales. Four of the top six best-selling titles come from the BBC, with international awards won by *Pingu* and *French Experience*.

Just over a year after its launch, BBC Worldwide's commercial Internet site – *www.beeb.com* – developed in partnership with ICL-Fujitsu is ranked high among UK entertainment sites, achieving 3.5 million hits per month. We have used it to develop online communities, offering users webzines of their favourite sites – *Comedy Zone*, *Radio Times Guide*, *Top Gear*, *Oil*, *Score* and *Top of the Pops*. The online market is still in the early stages of its development, so it is too early to predict its long-term revenue potential.

Programme Distribution

International programme sales had a good year in a difficult environment, and achieved some sales growth despite Asian currency crises and the effect of the strong pound. Important new business was secured, including the signing of a deal to provide Vox in Germany with BBC-branded programmes. Comedy and drama sold well, boosted by *This Life*, and sales in natural history and religious programmes were higher than estimated.

Channels

Over the last year, the audience distribution of international channels has grown by 40 per cent to 64 million households, driven largely by increases in the distribution of BBC World and by the launch of People and Arts in Latin America, arising from the deal with Discovery. In addition to the various channels launched in partnership with Discovery and Flextech and described earlier, BBC Worldwide has two other wholly owned channels: BBC World and BBC Prime.

BBC World provides a unique television view from and about the United Kingdom to audiences all over the world. It provides a

parallel service in television to that of the World Service in radio, but does so at no direct cost to the licence payer or to the Exchequer. BBC World is distributed to over 52 million homes in 187 countries, with the biggest audience in Europe, where it is seen in over 34 million homes, an increase of 40 per cent in the year. In the last year, the growth in audiences for BBC World has been dramatic: 58 per cent in Germany, 84 per cent in France, 91 per cent in Italy and 79 per cent in the Benelux countries. Regrettably, in the autumn, the strategic partnership with Pearson in Europe was closed down. As it builds up its distribution and the number of subscribers, the channel continues to make a loss but, following a rigorous strategic review, is working towards break-even. Though not making a contribution to operating cash flow, BBC World is a valuable showcase for BBC programmes and standards and, as its distribution expands, its contribution to the BBC will increase.

BBC Prime, launched in January 1995, is a showcase for the best of BBC television output. It reaches nearly six million homes in Europe, offering a blend of contemporary and classic series, comedy and music, factual and entertainment programmes, with material from *The Learning Zone* programmes through the night. It has seen a strong growth in subscriptions in the last year and new contracts with digital satellite providers have increased revenue and built a presence on delivery systems that should lead to future growth. Last year, BBC Prime had a deficit but, like BBC World, as it builds up its distribution over time, it will generate cash for the BBC to re-invest into programmes.

BBC Worldwide Limited: summary of financial performance

	1998 £m	1997 £m
Income		
Publishing	256.6	217.2
Programme distribution	126.0	106.0
Channels	26.3	30.6
	408.9	353.8
Operating expenditure	(274.8)	(243.2)
Gross profit	134.1	110.6
Distribution costs	(106.3)	(75.0)
Administrative expenses	(35.6)	(31.5)
Income from associates	0.6	1.1
Profit on sale of investments	20.7	1.4
Profit before interest and taxation	13.5	6.6

	1998 £m	1997 £m
Cash flow to the BBC	74.9	52.9
Net assets	56.2	55.7
Borrowings from the BBC	16.9	27.3

This year, the BBC's Annual Report and Accounts gives more information about the performance of BBC Worldwide Ltd than in previous years. See the financial statements on pages 52 to 71. A separate report from BBC Worldwide Ltd is also being published at the same time. The BBC Worldwide Annual Report and Accounts contains full information about the company and its activities. Copies are available from the BBC Secretary, Broadcasting House, London, W1A 1AA.

Resources

BBC Resources is the largest broadcast facilities operator in the UK, with radio and television studios, outside broadcasts and post production capabilities supported by a broadcast communications and technology unit. It operates as a business within the BBC's internal market and derives its income from the services it sells. In 1997/98, BBC Resources achieved a trading profit of £8 million, compared to £1.5 million the previous year, on a turnover of just over £510 million. Restructuring costs of £14 million turned this into a loss of £6 million. External business now accounts for £34 million of revenue, an increase of 31 per cent over last year. It still depends on BBC programme makers for 93 per cent of its income. Last year BBC Resources made further progress on its journey towards becoming a modern and profitable organisation.

In the early 1990s, the BBC's resource base was not suitable for its needs. With over-capacity in both facilities and people, it was losing millions of pounds each year of direct licence fee funding. In 1993 BBC Resources was created to tackle the situation. BBC Resources' business has since been diminishing as programme makers have become more efficient and used fewer resources. At the same time, it has encountered competition from external resource providers, often with lower overheads, and able to offer resources to programme makers at lower prices. BBC Resources faced a declining share of a shrinking market. In 1997/98, that share was 68 per cent of the internal BBC market. Projections showed that if no action was taken, BBC Resources faced the prospect of a continuing and significant decline in its business and revenues. This, in turn, would present a long-term threat to the retention of the BBC's important in-house craft base for programme makers.

In February 1998, the Board of Governors approved a strategy for the future of BBC Resources which will enable the business to develop its external trading, to maintain its craft base and to halt further decline. The present directorate is being divided into two enterprises: BBC Resources Ltd (a wholly owned subsidiary of the BBC which includes all those Resource business units trading significantly in the external market) and a Production Services Division (which remains a division of the BBC providing in-house services).

BBC Resources remains what it has always been – a formidable

centre of broadcast skills providing facilities for key programmes and services, such as *Casualty*, *Dalziel and Pascoe*, *The Really Useful Show*, *The Winter Olympics*, BBC Online and BBC News 24. Following the death of Diana, Princess of Wales, it mounted the biggest outside broadcast in the industry's history to provide coverage of the funeral, watched worldwide by 2.8 billion people. Externally, non-BBC business is growing rapidly and Resources has begun to sell its services overseas. It also won recognition in its non-broadcast activities when Wood Norton Conference Centre won the premier hotel industry award for Conference Centre of the Year. Nearly 50,000 visitors have sampled the BBC Experience, a permanent exhibition centre at Broadcasting House, created by Resources. It was officially opened by the Queen as part of the BBC's 75th anniversary celebrations.

In the coming year, the challenge will be to ensure that BBC Resources Ltd makes best use of its commercial opportunities so that the BBC retains a strong technical resource base to serve programme makers. Following incorporation, Resources will significantly increase its financial contribution and, like BBC Worldwide, it will provide a positive return to the licence payer, ensuring that the considerable sums that have in the past subsidised the BBC's craft base will in the future be invested in programmes.



Outside broadcasts from the Winter Olympics depended on the expertise of Resources, the UK's largest broadcaster facilities provider.



The BBC has drawn on 75 years of broadcasting tradition to create a unique, hands-on visitor centre, the BBC Experience, at Broadcasting House in London.

Financial Review

Licence fee income

As a public service broadcaster of 75 years standing, much of what the BBC represents has been built upon the foundation of the universal licence fee. In 1997/98, the licence provided over £2 billion for the first time and the number of paying households rose to 22 million. Licence income is the lifeblood of the BBC and represents 94 per cent of all the funding available to provide programmes and services for the UK audience.

Licence evasion and collection costs, taken together, have steadily reduced since the BBC took over responsibility for collection from the Home Office in 1991. There was the biggest single year improvement in performance this year. Evasion is now down to 7.1 per cent, continuing a welcome long-term decline, and is now on a par with the best performance of public service broadcasters in Europe.

We are mindful of the difficulties that some of those on income-related support may have in paying the licence fee and, therefore, we have introduced a 'Cash Easy Entry' scheme. This provides a simple way of joining the licence fee system. We also introduced a telephone sales approach for those who want to pay by debit or credit card or sign up for bank direct debits and we became participants in the 'Pay Point' retailer consortium, providing licence payers with even more easy ways to pay.

During the year, as part of our policy for keeping contracts under constant review, we announced that we would put out to competitive tender the contract for the administration of the licence system – currently held by SSL, a subsidiary of the Post Office. A new contract will be awarded in the next few months.

Commercial activity

The commercial exploitation of programmes via BBC Worldwide generated turnover of £409 million and a direct cash supplement to the licence fee income of £75 million. This extra cash, along with co-production investment from third parties, earned the BBC a total commercial benefit from programme exploitation in 1997/98 of £91 million.

Other sources of funds which act as a useful contribution to BBC programme making costs amount to £52 million – including £34 million from BBC Resources' commercial activities. The creation of this business as a Limited Company in 1998 will act as a springboard for growing BBC Resources into a self-standing, cash-generative enterprise within two to three years.

Costs

Since the early 1990s, the BBC has embarked on an efficiency drive which has delivered significant funds for re-investment in programmes without compromising the quality on air. Last year the independent consultancy, Braxton Associates, advised the government that the BBC had made substantial efficiency savings of £281 million between 1994/95 and 1996/97, amounting to 18.9 per cent of the BBC's programme making costs. The drive to bring down costs has continued. This year we exceeded our internal efficiency target of £62 million by 20 per cent at

£76 million. We used the money released by this success to extend and enrich our programmes on our core services and to introduce new services, described earlier in the Annual Report. Programmes made for the BBC's new channels and services provide a valuable way of experimenting and testing new means of making low-cost programmes, without putting core services at risk. We have adopted a new financial plan which will increase our efficiency further over the next few years by reducing overheads, improving our purchasing capability and looking at our core production and resources processes right across the BBC. The aim is to make more good programmes for less – to become the UK's lowest cost producer of high-quality programmes.

We have also made progress in optimising long-term value from expenditure on rights. We have maintained contributors' fees and rates at competitive levels and, in key negotiations surrounding new services, we aim to acquire all-rights at a cost-effective price. We have also developed a new programme rights strategy, the aim of which is to secure the best programme rights at a fair price and then exploit them aggressively in the UK and overseas.

Financial strategy

There are always timing differences in the pattern of spending across the BBC which produce surpluses and deficits in any one year. In 1997/98 we made a surplus of £44 million after exceptional items – notably the sale of shares in Flextech plc.

The BBC beat all its budgetary targets this year: licence income was higher, evasion lower, BBC Worldwide cash flow better, efficiency savings greater, working capital lower, and the result was a higher surplus and a stronger cash position. Our financial strategy is to live within our available funding without resorting to borrowings in the licence fee funded business.

We have managed our cash very tightly in the year and we have built up a healthy cash balance – including £233 million from the sale of the transmission business in the previous year. We are now poised to launch the BBC's services on all available digital platforms in the next 12 months. The cost of pioneering new digital services, including the significant outlay we anticipate for the infrastructure needed to re-equip our business, will be very considerable. The digital era will transform broadcasting and require massive investment. Future spending is expected to exceed licence fee income, particularly as it moves towards below RPI-level increases, as part of the agreed five-year formula. The financial challenge will be to ensure that our existing services remain competitive on analogue while earmarking sufficient funding for the various emerging digital technologies and opportunities. 1997/98 was the first of two years of above inflation increases in the licence fee which will allow the BBC to invest for digital broadcasting; the two years of reduced income which follow are being planned and prepared for now. This will be a testing time for the BBC and will stretch the licence fee to the limit.

Investment

We introduced a series of policies to protect our invested cash, including £170 million of advance receipts under the TV Licence Savings Stamp Scheme. Over £500 million was invested in short-term money market instruments and we earned interest of £35 million – further contributing to the funds available for programmes.

We have introduced a new framework for approving investment spending decisions, which ensures that spending priorities are properly assessed in the best interests of licence payers. Over £800 million of future commitments were approved through the new procedures, including significant investment in digital distribution and technology.

Professionalism

The professionalism of the BBC's finance team is improving demonstrably. Several new appointments were made to key finance positions during the year and the programme to make the BBC's finance function 'world class' moved into full swing. The major and ambitious project to update the BBC's financial and business processes moved ahead in 1997/98. The final deal with the outsourcing partners, Media Accounting Services Limited (MedAS), was signed and the BBC's finance systems and around 460 staff positions have now been transferred into the venture. Our existing financial systems need to be made millennium-compliant, and at the end of 1997/98 most of the BBC's financial systems in London became millennium bug free. The major BBC-wide system upgrade, which is being introduced over the next two years, based upon industry-standard SAP software, will also be millennium-compliant. The first pilot of SAP will be introduced early in 1999.

Organisation and Management

The last year has been one of progress and innovation. BBC staff accommodated change with great assurance. The workload and the scale of the challenge increase every year and will continue to do so. Every year we carry out research into different aspects of working life at the BBC, which provides one of the most valuable indicators of how well we are managing the process of change. BBC employees are highly talented and articulate and the 1997 survey showed a considerable improvement in attitudes compared with recent years.

Staff attitudes

Our employees feel clearer about the BBC's strategy and purpose. This is assisting us to develop within the BBC a culture of constantly striving to improve performance and so enhance our service to the audiences. The staff perception is that the BBC is more responsive to audiences and more committed to public service. Our employees are proud to work for the BBC. There has been a marked improvement in internal communications, but staff still feel that more can be done within their own directorates. The continuous development of the BBC's Intranet site, *gateway*, has provided a powerful tool for improving the flow of information within the BBC. The annual survey has helped us to become an organisation that not only can recognise its problems but tries to solve them.

The BBC is a pioneer in introducing flexible and progressive arrangements and benefits for staff, with imaginative packages to help staff obtain discounted services and an excellent pension provision. Flexible additional benefits are provided by companies independent of the BBC, offering staff insurance, child-care, sports clubs and travel.

We have introduced a BBC Forum to provide staff with a powerful voice. Its 21 members, chosen in secret postal ballots by all staff, held their first meeting with senior managers in May. The Forum will give staff an important platform to discuss policy and other issues.

Training

We have worked to recruit the most talented people and give them an unrivalled training in the skills they need. The more the technology we use changes, the more important it becomes to train our staff so that they can continuously acquire new skills. We spent over £20 million on training last year. In the last four years, over 400 staff have benefited from our business education programme at Bradford University and 200 are currently participating in the various courses available. Last year, we trained over 2,000 staff in various new digital production technologies. Courses have been developed to equip staff to operate new technology in the areas of digital television engineering and digital and widescreen production. The merger of radio and television units and the assimilation of multimedia training have given BBC training a clearer focus and made it easier for staff and managers to identify what training is available.

Senior management changes

There have been some significant changes at the most senior levels of the BBC this year. Bob Phillis, the Deputy Director-General of the BBC and Chief Executive of BBC Worldwide, left in November to become Chief Executive of the Guardian Media Group plc. He took BBC Worldwide into the digital age with pioneering new ventures and helped maintain the World Service as the world's leading global radio broadcaster. Rupert Gavin, formerly Managing Director of British Telecom's Consumer Division, succeeds him as Chief Executive of BBC Worldwide. His varied experience in creative production, multimedia communications and retailing will prove invaluable. Dick Emery moved from BBC Worldwide to take up the post of Chief Executive of UKTV, the joint venture company formed by BBC Worldwide and Flextech.

The BBC's Director of Finance and IT, Rodney Baker-Bates, left the BBC to become Managing Director of Prudential Corporate Pensions. Under his effective leadership, the BBC's finances were strengthened and the BBC made large efficiency savings, enabling it to fund new output. His successor, John Smith, was appointed Director of Finance on 1 August 1997.



Rodney Baker-Bates



Bob Phillis

Board of Governors

The Governors of the BBC are appointed by the Crown as trustees for the public interest. The Board of Governors ensures that the BBC is appropriately accountable to Parliament, licence payers and to viewers and listeners. Our role is to determine overall strategy and objectives, to assess the BBC's performance, and to keep in touch with what viewers and listeners are telling us about BBC services. We ensure that the BBC complies with its Royal Charter and laws and regulations governing broadcasting, and that programme makers observe the guidelines which we authorise.

This year we described our work more fully in a publication, *Governing Today's BBC: Broadcasting, the Public Interest and Accountability*.

Over the following pages, we summarise the work we have undertaken on the BBC's strategy during the year, give our assessment of the BBC's performance, detail the steps we have taken to seek the views of audiences, and report formally on the BBC's compliance with regulatory requirements. We also set out the objectives for 1998/99.

Strategy

It is the Governors' responsibility to determine the strategy for the BBC, advised by management.

Our starting point is that the BBC's aims and purposes remain valid – to inform, educate and entertain with distinctive, high-quality, British-made programmes which provide something for all tastes and interests. The BBC provides a benchmark of quality for the industry and will play an even more important standard-setting role in the digital age.

During the year the Board considered strategy work designed to achieve the BBC's aims in the digital age.

We approved plans to make the BBC's licence fee funded television services available on all digital platforms – satellite, cable and digital terrestrial. We approved joint ventures with commercial partners to offer additional television channels at home and abroad, re-investing cash in more and better programmes for the licence payer.

The Board agreed a strategy for BBC Radio which ensures that each network service continues to offer a distinctive and high-quality service in the face of greatly increased competition. We took care in reviewing proposals to refresh the Radio 4 schedule.

We also approved strategies for two of the BBC's core activities – BBC World Service and BBC Education – designed to maximise their potential in the new broadcasting world.

We approved the BBC's budget for the year and we also considered longer term plans to ensure that the BBC has the resources it needs to invest for the future and to sustain its programme objectives. The strategy involves careful prioritisation of spending, clear efficiency targets and growing commercial revenue. We are convinced that the licence fee system remains the best way to fund public service broadcasting overall. The BBC will need a dynamically growing income if it is to continue to fulfil its key role in broadcasting in future years.

We considered far-reaching proposals designed to safeguard the BBC's craft, technical and facilities skills base, freeing BBC Resources to compete fairly for external business. We also began a long-term review of BBC property to ensure we have the right accommodation 20 years from now.

We shall publish a restatement of the BBC's principles and future direction in the autumn.

The Board agreed objectives for the BBC in June 1997. In our opinion these have been broadly met. We set out our assessment of the BBC's performance over the past year in the following section.

Governors' Assessment

Our overall assessment is of a BBC which is creatively strong, innovative and efficient, confident in its commercial ventures and abreast of technological change. But the BBC faces the challenges of increasing competition at home and abroad, of change on almost every front and of the need constantly to improve what we do and how we do it.

The Governors of the BBC are committed to high quality, high standards and high ideals. Most of the time the BBC lives up to the best of its aspirations and we applaud the ambition and the intelligence of its programme proposition.

A particular challenge to the whole BBC came following the death of Diana, Princess of Wales. The BBC's experience and professionalism were displayed to telling effect. Coverage of the funeral was an impressive broadcasting achievement – the biggest outside broadcast event ever, mounted in a few days and without rehearsal.

Television

BBC Television broadcast successful and award-winning programmes and performed strongly relative to ITV despite increasing competition from new channels.

Dramas such as *Holding On*, *Born to Run* and the superb *Our Mutual Friend* were particularly commendable. *EastEnders* continued strongly. But the BBC was less successful in the field of new popular drama and situation comedy for BBC One and this must be a priority for next year.

Factual programming was excellent. *The Nazis: A Warning from History* and *Provos* were authoritative and compelling while *Hotel* and *Driving School* were attractive and witty.

Governors wish to see consideration given to a clearer strategy for arts coverage on television. We also attach the greatest importance to the continued success of BBC programming for children.

The BBC must invest wisely in the sports it covers on television. We were sorry that the BBC was outbid for some key sports rights during the year. There are many calls on the BBC's resources, but it must do all it can to retain rights on behalf of licence payers. We have worked with others to ensure that key national events are protected for the terrestrial television viewer as 'Listed Events' and that rights to show highlights are 'unbundled'.

The launch of *The Big Ticket*, a new Saturday night game show associated with the National Lottery, provoked controversy. As part of the original agreement under which the BBC broadcasts the National Lottery draws live, the BBC was under a contractual obligation to devise such a programme. The Governors were clear as to the contractual and regulatory position before the first programmes were transmitted and took care to ensure that appropriate safeguards were in place to avoid the BBC brand being used to promote the sale of scratch cards.

This report covers the first year of BBC Broadcast which commissions and schedules television, radio and online programming. We are encouraged by the clearer focus on understanding and meeting audience needs. Governors also

believe in the power of the BBC's mixed television schedule to surprise and engage, introducing viewers to new experiences, interests and enthusiasms.

Radio

BBC Radio is already experiencing the increased competition to which television will be exposed in the digital world. BBC Radio is having to adapt to maintain audiences in an increasingly crowded radio market. It is doing so with distinctive, high-quality services which greatly extend what the commercial market can offer.

As Governors, we have been concerned that all national radio networks should be clear about their role and target audience and perform appropriately in terms of reach and share. Radio 1 faces the stiffest competition, but we were encouraged to see the *Breakfast Show* with Zoë Ball and Kevin Greening holding its own. Radio 1 needs to appeal to a mainstream audience in the 15-24 age group. Radio 2 has been a conspicuous success as it has attracted new, younger listeners without alienating its loyal following among the older age groups. Radio 3 has continued to make the finest music more accessible with less forbidding presentation, but without lowering its standards or settling for the undemanding and the familiar. BBC Radio's commitment to live music is admirable and unrivalled.

Radio 4 needed to adapt to greater competition. The BBC's intelligent response to the need for changes to the schedule was the result of a painstaking process of audience research and consultation. Before agreeing to the Radio 4 proposals, we satisfied ourselves that the network would remain the home of serious speech and lively debate and that standards would be maintained. We shall continue to monitor the new schedule and expect management to make any necessary adjustments in the light of programme performance and listener comment.

The BBC conducted a special consultation exercise at Westminster over proposals for a new pattern of parliamentary coverage. The move of *Yesterday in Parliament* to Long Wave only and of *The Week in Westminster* to Thursday evenings proved controversial. *Yesterday in Parliament* now runs at a longer duration, covering more speeches. A new programme, *The Westminster Hour*, has been introduced in place of *In Committee* on Sunday evenings. *Today* now carries more parliamentary recordings. We have undertaken to review the position early next year.

The Governors have a clear commitment to full BBC coverage of Parliament and of the wider world of politics and government. In the autumn, a new pattern of television coverage will strengthen the position overall.

Regions

The BBC performed strongly in English regional television and local radio and in Scotland, Wales and Northern Ireland.

Regional television news outperformed the commercial competition and local radio reached its 30th birthday in good shape, recognised as a vital part of the BBC's public service

provision. The introduction of a regional Ceefax service was welcomed. We have witnessed the result of years of hard work and investment in regional news, but we recognise that our competitors will redouble their efforts to win back the audience.

Scotland's programme making contribution continued to be creative and strong. The Governors attach great importance to the reflection of the diversity of the UK on the network. We were disappointed that Wales has not made the breakthrough with successful network television drama and we would now like to see Northern Ireland replicate its success in television drama on network radio.

The Governors are satisfied that the BBC delivered comprehensive, authoritative and impartial coverage of the referendums in Scotland, Wales and Northern Ireland. We have been considering how the BBC should respond to the establishment of a Scottish Parliament and Assemblies in Wales and Northern Ireland. First and foremost, the BBC needs to make arrangements for providing coverage of the new institutions and for adapting our news operation and programming to the new circumstances. We shall be bringing forward our proposals in the autumn. The BBC also needs to ensure that it is truly accountable to viewers and listeners and works effectively with the new bodies.

The establishment of a Mayor and Assembly for London challenges the BBC to enhance its provision for local services for the capital. In particular, we note that GLR's share of London radio listening needs to improve.

Education

For the Governors, maximising the BBC's potential in the field of education is of the highest priority. We believe that a clear educational imperative should underpin all BBC services.

Already the BBC provides excellent programmes for schools and colleges and has developed ways of reaching those keen to learn but outside formal education. We believe that digital developments offer new opportunities for the BBC to play to one of its great strengths. The BBC is responding to the challenge provided by the demand for good quality educational material and to the new possibilities offered by digital services, but more remains to be done.

The Learning Zone will be followed by a Learning Channel on digital television. *Computers Don't Bite* encouraged the nervous to experience the Internet. *GCSE Bitesize* revision is a great success with the school audience for whom computers hold no terrors.

For our youngest audience, the under-threes, *Teletubbies* was a hit. It was also a commercial success. The BBC needs to develop new programmes for the older pre-school age range.

The Governors are determined that the BBC should play its full part in initiatives such as the University for Industry and the National Grid for Learning.

New services

During the year, we have started to see the BBC's digital plans becoming a reality with a series of launches of new services.

In November, we launched the first part of what will be our public service offering on digital television – the all-news service, BBC News 24. The BBC intends that its programmes should be available on all digital platforms to ensure continued universal access to licence fee funded services. We approved the launch of BBC News 24 initially on analogue cable and overnight on BBC One in order to make this new service available as early as possible. Soon it will be available more widely as viewers explore the possibilities of digital television. BBC News 24 is finding its feet, but already the authority and newsgathering strength of BBC News are available on a 24-hour domestic television service.

We believe that online will become the third broadcast medium and the Governors are keen to extend BBC values to the Internet. The BBC Online site at www.bbc.co.uk offers first class content, extending the viewing and listening experience. The potential for the provision of strong educational content and for interactivity is enormous. BBC News Online is a particularly rich resource. Additional material is provided on the commercial service in partnership with ICL-Fujitsu, beeb @ the BBC.

The launch of commercial television channels by UKTV, a partnership with Flextech, demonstrates the BBC's determination to exploit its programme archive to better effect, responding to the demand for a greater variety of programming and generating additional revenues in support of the licence fee.

Production

This was first full year of the separation of production from commissioning and scheduling. BBC Production has had to compete for commissions and is doing so effectively.

BBC Production was responsible for many of the most successful and acclaimed programmes of the year. We were particularly pleased to note that the drama department – about which we had previously expressed some concern – had performed strongly. BBC Production is responding imaginatively to the opportunities provided by BBC World Service, and the new television channels, both public service and commercial. All new bi-media and multimedia departments need to focus clearly on meeting the requirements of commissioners.

We welcomed the strategic partnership developed between BBC Broadcast and BBC Production and we re-affirm the importance we attach to the maintenance of a strong programme making base within the BBC. We want to see the best ideas and talents flourish, whether in-house or independent, but the BBC must never become purely a commissioning house. It must always aim to be more than the sum of its parts. The BBC must also not disadvantage itself in relation to the ownership and retention of programme rights which are of increasing importance in a multi-channel and digital world.

News

BBC News performed strongly. The General Election, the Gulf crisis, the Hong Kong handover, the developing situation in

Northern Ireland and the death of Princess Diana provided stern tests to which the BBC responded magnificently. BBC News assumed responsibility for new customers and new services. Investment in strengthened newsgathering paid dividends as correspondents and reporters had opportunities to broadcast on more and more outlets.

We were pleased to note that a number of challenging *Panorama* investigations from previous years were vindicated in the courts. Radio 5 Live, with its appealing live broadcasting combination of news and sport, enjoyed another good year.

A news programme strategy review has been re-assessing how the BBC should provide its distinctive news proposition in a world of increasing competition and declining audiences for traditional bulletins.

The introduction of new services and the need to operate in new ways put staff under great pressure. Management proposals to introduce executive editors for bi-media news programming in the newly completed Stage 6 building at Television Centre were not well handled. The proposed redesignation of programme editors as associate editors gave a misleading impression of the BBC's thinking, both inside and outside the BBC. We welcomed the subsequent re-affirmation of the importance of editorial distinctiveness and creativity. Revised proposals will deliver efficiency while protecting the breadth of the BBC's news agenda.

World Service

The World Service is a vital asset, not just for the BBC but for the United Kingdom. It faces formidable challenges in the digital world and greatly increased competition. The World Service is responding by developing FM transmission and online, but funding by the Foreign Office grant-in-aid has been declining in real terms. If the World Service became the 'Cinderella service' because it was not equipped to realise its potential in the digital world, it would be a significant loss to the national interest.

The Board established a Governors' World Service Consultative Group to advise it on the quality of the service. We were delighted to secure the services of a distinguished group of advisers: Baroness Amos, Professor Monajit Chatterji, Sir Brian Fall, Sir Michael Perry and William Shawcross. The Group undertook a programme of review, commissioning independent assessors to listen to selected output and give their views. The assessors had valuable points to make, particularly about style of presentation and the sort of international news coverage which was needed. Overall, the World Service received high marks. Concerns which were raised about the objectivity of the Persian Service appear to us to have been satisfactorily addressed by management.

None of the external assessors raised concerns about the restructuring of the World Service which, two years ago, had been highly controversial. After the first full year of the new system (under which the World Service contracts with BBC News and BBC Production for its news and English language programme making), the evidence suggests that these initial fears were misplaced.

BBC Worldwide Limited

It was not an easy year for BBC Worldwide, our commercial arm. Partnerships were forged which will yield long-term benefits to the licence payer, but the business overall needs to grow in order to deliver increased cash flow to the BBC in the short to medium term. The joint venture deals with Flextech and Discovery were successfully negotiated. The commercial online service beeb @ the BBC was initiated in partnership with ICL-Fujitsu. The BBC's commercial partnerships are well judged and well structured. They should be developed to support and reinforce the BBC's fundamental public service role.

BBC Worldwide bought out its partners in European Channel Management Ltd. BBC World advertising revenue has been below target and needs to improve. Magazines did well, but some other areas of consumer publishing were less successful. Costs need to be lower and margins higher. BBC Worldwide needs to be seen as the distributor of choice, both internally and externally.

The BBC's commercial ventures must always trade fairly. The Governors' Fair Trading Audit Committee ensured that they did so in 1997/98.

The Governors wish to place on record their appreciation of the services of Bob Phillis, formerly Deputy Director-General and Chairman of BBC Worldwide, who took up an appointment as Chief Executive of the Guardian Media Group in November.

Resources

The contribution of Resources staff was crucial to the BBC's programme success and to the acclaimed coverage of major news events and outside broadcasts, pre-eminently the funeral of Diana, Princess of Wales.

Financially, BBC Resources made a profit. After years of slimming down, the business is becoming competitive, although restructuring costs turned this year's trading profit into a loss. BBC Resources is gaining a growing share of the external facilities market, but many BBC programme makers still find it more cost effective to hire facilities externally.

During the year, the Governors gave careful thought to the future strategy for Resources. We want BBC Resources to win a bigger share of the business from in-house productions. To do this, costs need to continue to fall. We also concluded that the future viability of the BBC's in-house resources base depends on having free access to the external market for facilities. But licence fee income must not be put at risk and the BBC must not be open to charges of trading unfairly under new and more stringent competition law. For these reasons, we approved the incorporation of BBC Resources as a wholly owned subsidiary. We welcome the Secretary of State's subsequent approval for incorporation. The Governors will ensure that BBC Resources Ltd trades fairly. The Board has made clear that it values BBC Resources as an integral part of the public service BBC and has no intention of disposing of the business.

Value for money

The BBC's finances are strong. Their management is effective, but needs to become truly world class – particularly in the BBC Worldwide and BBC Resources subsidiaries. There is good control of cash and borrowings, although the accuracy of cash forecasting in the directorates needs to improve.

The Board received monthly management accounts. Investment procedures are working well and major investment decisions were considered by the Board. We will receive post-investment reviews in due course. The Audit Committee, Management of Internal Control and Internal Audit functions operated satisfactorily.

We note that efficiency targets are being met, but that the targets for the next four years remain challenging. The Licence Fee Unit succeeded in reducing evasion further.

We are confident that the BBC offers excellent value for money and its financial management is in good order. In this context, we should like to place on record the Governors' thanks to the retiring Director of Finance and Information Technology, Rodney Baker-Bates.

People

We congratulate BBC people, wherever they work in the organisation, on a year of great programmes and good progress. The BBC is changing as it faces up to the challenge of new technology, increasing competition and changing audience expectations. Change is never comfortable, but we are encouraged that staff attitudes as reflected in the latest staff survey are increasingly positive. Externally, too, the BBC is seen as a good place in which to work. We welcome the establishment of a BBC Forum for staff and we urge management at every level to work even harder at effective internal communication. It is important that all staff understand how their contribution and their unit fit into the overall strategy and are vital to the BBC's continued high performance.

Communication

We judge that the BBC was effective in its communications with the public in a year of celebration but also of change. The 75th anniversary of the BBC provided opportunities to stress the continuing commitment to public service values. The *Perfect Day* trails made the point with style that it is the licence fee system which enables the BBC to offer so much of high quality to suit all tastes. The *Statement of Promises to Viewers and Listeners* was made more manageable, concentrating on fewer, better defined commitments. Information about the BBC, including the text of the Royal Charter and Agreement, the Annual Report, *Statement of Promises* and *Governing Today's BBC*, was made more accessible via the Internet.

Listening

We believe the BBC is getting much better at listening to audiences and hearing what they are saying about the programmes – but there is more that can be done.

In 1997/98, the Governors monitored audience attitudes and received advice, using a structured approach which we have called *The BBC Listens*. We also received advice at Governors' Seminars, public meetings and from our network of councils, panels and committees.

The BBC Listens

Over a four-year cycle, every aspect of BBC programming is reviewed from the point of view of the audience. This year we considered listening reports on children's programmes, daily news, political programmes, consumer and leisure, religious broadcasting and programmes for schools. We also reviewed audience reactions to Radio 5 Live and to Radio 4, including the proposed changes to the schedule.

Audience research in these areas was amplified at public meetings and, in some cases, in special *BBC Listens* programmes on-air. We now wish to see the *BBC Listens* approach embrace greater audience involvement on-air and online so that viewers and listeners can have more opportunities to have their say and be aware that their views have impact.

The *BBC Listens* programme was supplemented by independent advice from panels of informed observers from outside the BBC who reviewed selected programmes and gave us their assessment of quality.

Seminars

We held two Governors' Seminars during the year. The first, *Quality, Values and Standards: The Future of Broadcasting Regulation*, considered how broadcasting might best be governed in the multichannel future. The second, *Making Sense of the World*, examined foreign news reporting and international broadcasting.

Public consultation

The BBC is obliged to conduct a process of public consultation where significant changes are proposed to the licence fee funded offering. Last year we consulted formally on our public service proposition for digital broadcasting. This year we have been conducting a similar formal consultation on our online services. With other broadcasters, the BBC has also been conducting a public consultation on the future of party political broadcasts. We shall publish the results of these consultations in the autumn.

Even where formal public consultation is not mandatory, the Governors have ensured that the BBC is seen to consult widely and take due account of views expressed. For example, the Controller of Radio 4 undertook a careful process of public consultation on the proposed schedule changes. This involved meeting interest groups, independent producers and Radio 4 listeners – in audience research groups and in open meetings around the country.

Advisory bodies

The Board is supported by a network of advisory bodies, from the Broadcasting Councils in Scotland, Wales and Northern Ireland and the Advisory Councils in England to specialist committees. We thank all those who have advised the BBC during the year.

The Central Religious Advisory Committee (CRAC) advises the BBC, ITC and the Radio Authority on religious broadcasting. For the past five years, CRAC has been chaired with distinction by the Rt Rev Roy Williamson, Bishop of Southwark. On his retirement, the Board, together with the ITC, welcomed the Archbishop of York, the Most Rev and Rt Hon David Hope, to the chair of CRAC. The Vice-Chairman is the Roman Catholic Bishop of East Anglia, the Rt Rev Peter Smith.

Report on Compliance

Under the BBC's Charter and Agreement, the Governors have clearly defined regulatory responsibilities. They must satisfy themselves that the BBC complies with all legal obligations, with high standards of corporate governance and with the BBC's own guidelines and codes of practice. They are also responsible for reviewing the content of those guidelines.

The Governors report on these matters over the following five pages. There are also reports from the BBC's auditors on fair trading and compliance with the Cadbury Code on Corporate Governance.

Editorial standards

The Governors are satisfied that programmes complied overall with the BBC's editorial standards, including a new code on impartiality and accuracy, as set out in the *Producers' Guidelines*. The Controller of Editorial Policy reported that there had been no major breaches of the code. Several issues had raised thorny questions during the year, notably the coverage of Northern Ireland and the devolution referendums in Scotland and Wales. The BBC had successfully met the challenges.

With rare exceptions, programmes and schedules have observed the requirements on taste and decency. The number of complaints about observance of the 9.00pm watershed on television was substantially down, as were complaints about bad language. Views on taste can vary markedly and any organisation that prides itself on producing original and challenging material will inevitably, at times, provoke a reaction from its audiences. This is a fine line that the BBC must continue to tread carefully.

Programme complaints

In the year to 31 March 1998, the BBC received 53 notifications of fairness and privacy complaints from the Broadcasting Standards Commission. In the same period, 22 fairness and privacy complaints were upheld or partly upheld (some relating to earlier years). The BBC was notified of 697 complaints about standards, and 87 were upheld or partly upheld (arising from 39 broadcast items or series). The BBC complied with all directions given under the Commission's statutory powers.

The BBC's own Programme Complaints Unit, which is independent of the programme makers and schedulers, also investigates and adjudicates on complaints. In the year to 31 March 1998, it dealt with 1,218 complaints, of which 124 were wholly or partly upheld. The findings on upheld complaints were published in a quarterly bulletin, together with a note of the action taken in each case, as required by the Governors.

Last year the Governors expressed concern about the time taken to respond to complaints, only 35.5 per cent of which had been answered within the target time. The comparable figure for the year to 31 March 1998 was 48.5 per cent, but this conceals a rise to 70 per cent in the final quarter. This remains an area of concern to Governors. Performance must continue to improve.

The findings of the Programme Complaints Unit are overseen by the Governors' Programme Complaints Appeals Committee.

In the year under review, the Committee considered 22 appeals, and entertained 14 of these. One appeal was upheld and a further two appeals were upheld in part. The members of the Committee during the year were Lord Cocks, the Rev Norman Drummond and Janet Cohen.

Fair Trading

Fair Trading Commitment

The BBC's Royal Charter and the accompanying Agreement require the Governors to ensure that the BBC's commercial services are funded, operated and accounted for separately from its public services. The Charter and Agreement also prohibit cross-subsidies between public and commercial services and any guarantee or underwriting of commercial services by the BBC.

The BBC has published a Fair Trading Commitment, which reflects these requirements and explains how the BBC fulfils its responsibilities to licence payers, customers and competitors. This Commitment identifies three main objectives:

- clear criteria for all of the BBC's commercial activities
- fair competition in all markets, and
- no risk to the licence payer.

The Fair Trading Commitment requires arm's length relationships between commercial activities and the rest of the BBC, supported by transparent contracts and fair prices for resources, services and programmes provided by the public services to the commercial services. The Executive Committee is responsible for implementing a system of procedures and controls to give effect to the Commitment.

Fair Trading Audit Committee

The Fair Trading Audit Committee (a sub-committee of the Board of Governors) monitors compliance with – and reviews the effectiveness of – the fair trading controls and procedures throughout the BBC, to give reasonable assurance of achieving the objectives of the Fair Trading Commitment and to ensure that management's response to fair trading issues is appropriate.

The members of the Committee during the year were Lord Nicholas Gordon Lennox (Chairman until 31 December 1997), Lord Cocks (Chairman from 1 January 1998), and Janet Cohen. Roger Jones was appointed to the Committee on 16 April 1998. The Committee met periodically during the year to consider reports from both internal and external audit and from management. The Committee's review of the year is given below.

Review of fair trading

The Fair Trading Commitment is the foundation for the procedures established throughout the BBC. In discharging its responsibilities, the Fair Trading Audit Committee receives regular reports from Fair Trading Representatives in each directorate, through the Chief Adviser, Commercial Policy, who is responsible for co-ordinating their work and for ensuring that policies and procedures are properly disseminated throughout the BBC and kept under regular review.

In addition, the Committee receives regular reports from both internal and external auditors on the results of work they have carried out. This work is based on a plan approved by the Committee and monitors, on a sample basis, the operation of the fair trading procedures. Where this process leads to recommendations for changes or improvements in the procedures, the Committee discusses these with management and, where appropriate, agrees on implementation.

Governors' Statement on Compliance with the Fair Trading Commitment

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.

The BBC has an established framework of controls and procedures which are designed to ensure that these policies are applied effectively throughout the BBC. These controls and procedures have been monitored by the Fair Trading Audit Committee and the Governors have gained reasonable assurance that they have been operating effectively throughout the year.

Report by KPMG to the BBC on Fair Trading

We have been requested by the Governors to undertake an independent review of the compliance with the procedures and controls within the BBC designed to give reasonable assurance of achieving the objectives of the BBC's published Fair Trading Commitment.

The Governors' responsibility, through the Fair Trading Audit Committee, is set out on page 42 under the heading 'Fair Trading Audit Committee'. The Executive Committee is responsible for implementing a system of procedures and controls to give reasonable assurance of achieving the objectives of the Fair Trading Commitment.

Our responsibility is to provide periodic reports to the Fair Trading Audit Committee on the compliance with such procedures and controls to assist the Committee in its role, and to express an opinion on the Governors' Statement on Fair Trading on this page.

We have performed a detailed programme of work to review the BBC's Fair Trading procedures and controls. Our review was not performed with any specific transaction in mind and it should not be relied upon for any such purpose. Because of the limitations of any system of control, errors or irregularities may occur and not be detected.

Our work primarily comprised enquiry and assessment to establish the procedures and controls in place, together with tests of samples of material transactions to give reasonable assurance that the procedures and controls have been applied.

In our opinion, the Governors' statement on this page appropriately reflects the BBC's compliance with its Fair Trading Commitment.

World Service Trading Protocols

In June 1996, the BBC announced a major re-organisation, separating programme making from programme commissioning and scheduling. The changes, which took effect on 1 April 1997, created new relationships between the World Service and the rest of the BBC. The World Service remains responsible for commissioning and scheduling all its own programmes but no longer makes its own English language programmes or maintains its own technical and support services. BBC Production now makes programmes both for the home services and for the World Service. BBC News serves both the BBC's domestic and international channels. BBC Resources and other BBC directorates provide technical facilities across the BBC. The World Service benefits from the links with this wider technological grouping and is assisted in meeting major challenges in international broadcasting, for example, developing online services.

In order to ensure that BBC World Service maintains its distinctive voice and to preserve the clear separation between grant-in-aid, licence fee and commercial income, a joint working group of the Foreign and Commonwealth Office and the BBC agreed on a series of editorial, financial and economic requirements.

The BBC was required to draw up new guidelines to govern the trading relationship between the World Service and the BBC supplier directorates ('The Trading Protocols'). These were approved by the Fair Trading Audit Committee in February 1997. The Committee is responsible for monitoring and reviewing compliance with the Trading Protocols.

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

- the services to be provided
- the criteria by which the quality of the services would be judged
- the cost of the services.

Internal Audit have conducted reviews to ensure that the agreements comply with the Trading Protocols and are operating in practice. They have reported their findings to the Fair Trading Audit Committee.

KPMG have reviewed a summary of transactions between the World Service and the BBC supplier directorates. KPMG have reported to the Governors that, in their opinion, the information contained in the summary of transactions for the year ended 31 March 1998 has been properly extracted from the books and records of the supplier directorates and has been properly prepared on the bases of cost allocation and apportionment methods set out in the agreements between the World Service and the supplier directorates and that, on this basis, there has been no material cross-subsidy between grant-in-aid and licence fee.



KPMG
Chartered Accountants
London
25 June 1998

Governors' Statement on the World Service trading relationships

Following regular reports to the Fair Trading Audit Committee by the Chief Adviser, Commercial Policy, and internal and external auditors, the Governors are satisfied that:

- the Trading Protocols reflect the requirements of the FCO/BBC World Service Working Group
- the agreements are consistent with the Trading Protocols
- there has been no material cross-subsidy between grant-in-aid and the licence fee.

Corporate governance

The BBC's commitment

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

The requirements of the Code can be applied to the BBC with two exceptions. Firstly, those requirements relating to the appointment of non-executive directors are inapplicable since Governors are appointed by the Queen in Council and their remuneration is set by the Secretary of State for Culture, Media and Sport. Secondly, those requirements relating to shareholders can only be applied to the BBC insofar as the BBC is accountable to the public, rather than to shareholders, through the stewardship of the Governors.

Governors' Statement on Compliance with the Cadbury Code of Best Practice

The Governors have reviewed the Corporation's compliance with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance. The Governors believe that during the financial year the Corporation fully complied with the Code insofar as it is relevant to the BBC's constitution and structure.

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. The Governors consider that, for the purpose of approving directors' service contracts, they should be viewed as shareholders on behalf of the Crown.

Details of the Board of Governors and Executive Committee are shown on pages 6 to 8. Details of the composition and main responsibilities of the two principal sub-committees of the Board of Governors are as follows:

Remuneration Committee

The Remuneration Committee has responsibility for recommending executive remuneration policy to the Board of

Governors. The members of the Remuneration Committee during the financial year were Sir Christopher Bland (Chairman), Lord Cocks, Sir David Scholey, and Lord Nicholas Gordon Lennox (until 31 December 1997).

Members of the Executive Committee are appointed by the Board of Governors and their remuneration is determined by the Board with guidance from the Remuneration Committee. All subsequent salary increases and bonuses are reviewed in detail by the Remuneration Committee and recommended to the Board for its approval. Details of the remuneration of the Governors and Executive Committee members are shown in the Notes to the Financial Statements on pages 63 to 64.

Audit Committee

The Audit Committee meets three times a year, and is charged with: reviewing the effectiveness of internal financial control; approving and monitoring the Internal Audit work plan; considering issues arising from Internal Audit's work; reviewing the quality of 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 annual accounts. The members of the Committee are Sir Kenneth Bloomfield (Chair), Roger Jones, Bill Jordan and Adrian White.

Internal financial control

The Corporation has established a system of internal financial control designed to provide reasonable assurance against material misstatement or loss. No system of internal financial control can provide absolute assurance against material misstatement or loss.

The responsibilities of the Governors and the Executive Committee in relation to internal financial control are clearly defined. The Governors are ultimately responsible for the proper use of public money. The Executive Committee is responsible for the system of internal financial control.

The Chief Executive of each directorate has a clear responsibility for the identification of risks facing their business. The Corporation has a comprehensive process for monitoring and reporting on its financial performance and maintaining internal control.

The annual budget of each directorate is reviewed by the Director of Finance and the Director-General and the overall Group budget is approved by the Executive Committee and the Board of Governors. Monthly management accounts are reviewed by the Executive Committee and the Board of Governors. Annually, the Director-General undertakes a comprehensive review of each directorate's performance, including financial performance.

The Corporation's financial controls are monitored by the Management of Internal Control Committee on a quarterly basis. The Committee comprises two members of the Executive Committee, the Secretary of the BBC, the BBC's legal adviser, and the Head of Internal Audit. A representative of our external auditors attends each meeting. The Chief Executive of each directorate is required to confirm that financial controls have been in place throughout the period. The Committee advises the

Executive Committee and reports to each meeting of the Audit Committee.

The Audit Committee reviews the effectiveness of the internal controls of the Corporation on behalf of the Governors.

Going concern

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

Review report by KPMG to the Corporation on corporate governance matters

In addition to our audit of the financial statements, we have been instructed by the Governors to review their statements on corporate governance matters as if the Corporation were required to comply with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange, in so far as the Rules are relevant to the Corporation's constitution and structure. Accordingly, we have reviewed the Governors' statements on pages 44 and 45 on the Corporation's compliance with Listing Rules 12.43(j), on the financial aspects of corporate governance, and 12.43(v), on the Governors' adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to undisclosed non-compliance with those paragraphs of the Listing Rules.

Basis of opinion

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

Opinion

With respect to the Governors' statements on internal financial control on page 44 and going concern on this page, in our opinion the Governors have provided the disclosures required and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Governors and officers of the Corporation, and examination of relevant documents, in our opinion the Governors' statement on page 44 appropriately reflects the Corporation's compliance with the other paragraphs of the Code specified for our review.



KPMG
Chartered Accountants
London
25 June 1998

The millennium issue

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

The BBC has estimated the costs of ensuring compliance at approximately £50 million. Expenditure is normally charged to the revenue account except where remedial work results in an enhancement to a fixed asset in which case the costs are depreciated over the useful life of the asset.

Standards in Public Life

The Board of Governors and the Executive Committee adhere to the Seven Principles of Public Life as set out in the reports of the Committee on Standards in Public Life. The Board and the Committee maintain written registers of interest which may be inspected on written application to the Secretary of the BBC. Procedures are in place for the avoidance of conflicts of interest for BBC staff. The Board has adopted new rules governing the conduct of its meetings and the declaration of interests.

Other legal obligations

Employment and Equal Opportunities

The BBC complies with the requirements of employment and equal opportunities law and has policy statements and codes of practice in place which aim to reflect best employment practice. Training is carried out regularly and initiatives developed to affect areas of concern. The BBC's policies reflect the requirements of the Disability Discrimination Act and the Asylum and Immigration Act. The BBC made progress towards achieving its workforce composition targets (in relation to gender and ethnic origin) for the year 2000.

Health and safety and the environment

Work has continued on actions to maintain compliance and improve the management of health and safety risks. Initiatives have been put in place to make safety arrangements during location work more rigorous. An audit of fire safety arrangements in BBC buildings has been undertaken and actions are in hand to strengthen legal compliance. A new corporate health and safety policy has set out more clearly the safety management system that is in place across the BBC. An extensive energy awareness campaign has been carried out throughout the BBC. Environmental performance has been one of the major considerations in a review of BBC premises.

Programme quotas

The BBC has a statutory duty to ensure that in each financial year at least 25 per cent of qualifying television programmes are independent productions. In its report for the year to 31 March 1997, the Office of Fair Trading (OFT) confirmed that 27.9 per cent of the BBC's qualifying programming was made by independent producers. Despite an increase in the number of hours commissioned from independents, the proportion is slightly lower than the 28.1 per cent of the previous year due to the rise in the total hours broadcast by the BBC. The BBC estimate for the proportion of independent television output for 1997/98 is 28.8 per cent.

The BBC also exceeded EU quotas in the calendar year 1997 for the proportion of television output of European origin and of output made by European independent producers. Of the eligible output, 67 per cent was of European origin (as against a minimum requirement of 50 per cent), and 15 per cent was made by independent producers (as against a minimum of 10 per cent). The basis for calculating the European independent quota differs from that used under UK legislation in that it excludes certain categories of programming. A further change in methodology means that the European figures are not directly comparable with those reported last year.

On-air trails

Following the 1992 report by the Monopolies and Mergers Commission, the BBC was required to give an undertaking to the OFT to use only still television trails to give information about BBC magazines and not to exceed seven minutes as an aggregate across a seven-day period. In 1997 on-air promotions for all BBC magazines (including *Radio Times*) totalled 1 hour 33 minutes and 57 seconds in duration. This equates to a weekly average of 1 minute 48 seconds, well within the restriction.

Compliance with Government approval for European Channel Broadcasting Ltd ('ECB')

The DNH Approval dated 11 December 1994 set out the main conditions on which ECB should provide the BBC World and the BBC Prime satellite services in continental Europe:

- arm's length trading relationships with the BBC and BBC Worldwide
- compliance with the European Convention on Transfrontier Television, with Council Directive 89/552/EC (on broadcasting activities) and with the relevant ITC codes.

The BBC's Fair Trading policy was applied and the services operated on an arm's length trading basis. The services continue to be marketed only within mainland Europe.

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

The complaints procedure introduced last year was further strengthened. In compliance with the Approval, the BBC exercised similar duties to the Broadcasting Standards Commission in order

to give viewers of the two channels substantially the same rights in relation to programme complaints as viewers of BBC programmes in the UK. During 1997/98, 104 editorial and 249 scheduling/miscellaneous complaints were received. None of the editorial complaints was upheld.

Reports to the Board of Governors

The National Broadcasting Councils have responsibilities under the Royal Charter to advise the Governors on programmes and services in Scotland, Wales and Northern Ireland – on behalf of the licence payers. The Governors, in turn, have a duty under the Charter to consult the Councils on issues relating to the output in the three national regions, including the setting of objectives. The Councils ensure that they are well informed on the views, needs and interests of licence payers by carrying out a range of activities to monitor public opinion. They meet viewers and listeners in a variety of public forums, have access to audience research and correspondence, and receive advice from independent panels. At the end of each year, they report to the Governors on the performance of BBC Scotland, BBC Wales and BBC Northern Ireland.

Report of Broadcasting Council for Scotland

The General Election and the Devolution Referendum afforded BBC Scotland's News and Current Affairs teams a unique opportunity to demonstrate their prowess on the Scottish and UK stages and they did so with considerable skill and professionalism. The range and quality of coverage augured well for the establishment of a Scottish Parliament in 1999.

The creation of the Parliament presents BBC Scotland and the Broadcasting Council with opportunities and challenges arising from the need to ensure that programmes are relevant, accurate and appropriate for Scottish audiences. The Council welcomes the work of the devolution programme review groups and will rigorously monitor the implementation of recommendations arising from them. It has also examined its own future role and relationships in the light of the Council's first symposium on the theme of 'The BBC in a New Scotland'.

The last year has seen some excellent programmes such as *Looking After Jo Jo* and *The Face*, and the emergence of *McCoist* and *MacAulay* as hugely popular talk show hosts. The continued success of radio output such as *Mr Anderson's Fine Tunes*, *Now You're Talking* and *Storyline* contributed to Radio Scotland regaining its position at one stage during the year as the most listened to station in Scotland. The Council has been monitoring the station's phased programme changes and it is clear from audience research that weaknesses in the schedule have been successfully addressed.

However, the lack of a sustained television and radio marketing campaign has been disappointing.

There have been strong performances in Drama, Children's, Gaelic and News and Current Affairs. The Council looks forward to Entertainment and Comedy building on *McCoist* and *MacAulay* and on *Bill Bailey*.

The Council is pleased to see the development of digital presentation suites as BBC Scotland approaches the launch of digital television services. At the same time, the introduction of new digital equipment, a Ceefax Scotland service and BBC News 24 put staff and resources under considerable pressure.

On property issues, it has been heartening to see the new

centre in Shetland open, but delays to the replacement Broadcasting House project in Aberdeen have proved frustrating. The Council will continue to ensure that this project, as well as the options of developing a new headquarters building at Pacific Quay in Glasgow and of appropriate accommodation for Edinburgh, are given priority and that substantial progress is made.

The Council has advised the Board of Governors on all these issues and will closely monitor progress against objectives using a range of measures. In line with the Council's emphasis on accountability, these will continue to be reported on fully and transparently on behalf of licence payers in Scotland.

Report of Broadcasting Council for Wales

The past year has been one of exceptional achievement for BBC Wales, accomplished in an increasingly competitive broadcasting environment.

The Council was greatly impressed by the quality of BBC Wales' journalism, and particularly by the way in which it responded, in both languages, to the challenge of the year's historic events – the General Election, the Devolution Referendum and the tragic death of Diana, Princess of Wales. The programming surrounding each of these events demonstrated a strength in depth, consistent sense of authority and sensitive judgement of tone.

There were many landmark programmes and events drawn together in a new marketing initiative, *BBC Wales Summer Festival*. This successfully engaged the audience on-air, and in direct contact, at events throughout Wales. This was enhanced by the provision of new entertainment and music strands and imaginative factual features. The Council was also encouraged by the way Radio Cymru is now appealing to a greater cross-section of the Welsh-speaking audience than ever.

It was pleasing that BBC Wales output was recognised in the number of major awards won by radio and television programmes and services. Radio Wales won the Sony Radio Station of the Year in 1997, whilst the drama, *Food for Ravens*, and the documentary, *Tales from the Health Service*, won two of the three RTS regional programme awards.

Programme commissioners faced the difficult task of adjusting the range and mix of the provision following the loss of the Welsh domestic rugby contract. This they completed successfully. However, concerns remain over the future relationship with S4C, where important public policy issues need to be resolved.

The Council is concerned at the effect of the substantial transmission overlap in Wales from transmitters based in England, extending across 40 per cent of the Welsh population. With important constitutional changes in prospect, no part of the Welsh population should be deterred from receiving news and information services tailored to Wales' own situation. Viewing and listening behaviour in this overlap area is being urgently researched.

The increase in BBC Wales' output for network radio and television is welcomed, together with the more focused approach now being taken to attacking these markets. The Council looks

forward to a positive response from the network controllers with a particular aspiration to achieve the commissioning of a returning drama series. In a difficult climate for the arts, the Council stresses the importance of ensuring secure and equitable funding for the future of the BBC National Orchestra of Wales as it celebrates its 70th anniversary.

Report of The Broadcasting Council for Northern Ireland

The Broadcasting Council for Northern Ireland reports on another remarkable and unpredictable year in the history of the Province. We commend the high quality of the coverage of the momentous events as they unfolded, brought about by the coherent integrated approach of news and current affairs across BBC Northern Ireland and the radio and television networks. In the light of this achievement, it was a particularly appropriate year for Noel Thompson to win a Royal Television Society award for Best Regional Presenter.

Council is delighted at the continuing success of television drama under the leadership of Robert Cooper and notes, alongside the high audience figures for *Ballykissangel*, the nomination for an Oscar of a local drama short *Dance Lexie Dance*. We believe that every effort must be made to maintain the creative momentum in television drama and we would also wish to see an improvement in radio drama.

Radio Ulster has continued as the market leader this year. In this news hungry environment, the mix of news and current affairs with arts, music, religion, sport and debate reflects the rich diversity of life in the Province and is clearly appreciated by the audience. Following on from the successes of previous years we are pleased to note the presentation of a Sony Gold Award.

We commend the range of high-impact one-off television events with strong audience involvement for both local and network output. *Making a Difference*, the two opening concerts from the Waterfront Hall, *Sing Carols* and *Young Musician of the Year* all contributed to a more balanced view of life in Northern Ireland. We would also note effective coverage of issues relating to the Health Service, Arts Council funding, the environment, business and economy and sport, amongst many others.

In the year under review, BBC Northern Ireland has successfully initiated a text service alongside its contribution to BBC News 24. We look forward to the launch of BBC Choice and regard this as a unique opportunity to provide a television service designed to meet the needs and desires of the local audience. Council also welcomes the advent of Digital Audio Broadcasting in Northern Ireland.

The coming year will be a testing one, as journalists report on an increasingly complex political situation encompassed within the devolution process. We believe the service is robust and rigorous in its public service remit and is prepared for all the challenges which lie ahead.

Report of the English National Forum

The English National Forum brings together the Chairs of the English Regional Advisory Councils.

In a year when the audience for BBC Regional Television news overtook its ITV equivalent and BBC Local Radio celebrated its 30th anniversary, the English National Forum continues to affirm the view that BBC regional programmes are one of the best arguments for public service broadcasting funded by the licence fee.

Each of the ten Regional Advisory Councils was satisfied that objectives had been met and that the quality of the programmes reviewed met the high standard expected. The presentation of the programmes was also considered to have improved. Weekly programmes, in particular the weekly current affairs output, were singled out for commendation though there was regret that these programmes did not get a better place in the schedules. The introduction of subtitling and regional Ceefax services was also welcomed.

Following the success of the *Look East* sub-opt from Cambridge, there is a growing recognition of the need for similar developments in other parts of the South East where *Newsroom South East* currently serves a region of some 13 million people stretching from Oxford to Dover.

Publication of the *Local Radio 2000 Review* was well received and acknowledged as having achieved an important understanding of the local radio audience. The English National Forum was also pleased to note the successful first year of the Asian Network. Coverage of the events following the death of Diana, Princess of Wales, by local radio stations came in for special praise.

Concern about shared programming on local radio continues, however. Although the amount of late evening shared programmes has not increased, there has been an increase in programme sharing at weekends. The Forum believes the point has now been reached when the BBC's commitment to provide a genuinely local radio service across the day is being called into question. It also wishes to re-iterate the view that audience ratings and quality are not necessarily the same thing and would add, as a reminder, that the public service remit is to present a range of distinctive programmes. The Forum affirms its continued support for the BBC's commitment to this end.

Finally, the Forum asks the Governors to take particular note of the growing self-confidence, pride and self-identity of the English Regions and the implications of this for public service broadcasting.

Report of the Governors' World Service Consultative Group

The Governors' World Service Consultative Group was established in 1997 to implement one of the recommendations of the Joint Foreign Office/BBC World Service Working Group aimed at safeguarding the special style, ethos and quality of the World Service following the restructuring of the BBC. It was agreed that a committee of independent individuals should be set up to advise the Board of Governors on the range and quality of the World Service output in English and in the foreign language services. It is composed of five eminent people drawn from different walks of life and chaired by the Governor with special responsibility for the World Service.

For 1997/98, the Consultative Group commissioned reports on the World Service output in four foreign languages – Russian, Persian, Polish and Serbian – as well as on news and non-news programmes in English. Assessors, chosen for their expertise and independence from the BBC, were identified for each of the services. They were asked to listen to up to 15 hours of output and to provide individual written reports – 17 in all – on what they had heard. They were given a set of criteria to guide the scope of their assessments. Other language services will be assessed in future years on a rolling basis.

The Group believes that, on the evidence so far, there are grounds for confidence that the overall quality of the World Service output is being maintained unimpaired. The Group notes, in particular, that no assessor expressed concern about the effects of restructuring nor made criticisms which could be attributed to restructuring. The assessors' reports highlighted a number of issues needing attention, including the coverage of British affairs and the tone and presentation style of some programmes as well as the need for precision in the targeting of audiences.

It is noted that the Persian service faces a structural problem in providing a common service in a single language to audiences in different countries (Iran, Afghanistan and Tajikistan) with very different outlooks. The Persian service has explained its approach and the constraints on financial resources and local reporting with which it has to contend.

The Consultative Group considers that the methodology of assessment already established is valid, but for the future it will make improvements to the process of selecting assessors and to the reporting guidelines given to them.

Performance Against Promises

Each year, the BBC publishes a Statement of Promises to set out the BBC's services and standards, as required by the Royal Charter and Agreement. The Governors are responsible for reporting on the BBC's performance against Promises.

The first Statement of Promises was made in 1996/97 and performance was reported in last year's Annual Report. For the Statement of Promises 1997/98, the Governors can now report that, of the 66 promises made, 60 were met in full; three promises are identified as met but needing continued improvement and in three instances the BBC fell short of the commitment made. The summary below highlights a few of the BBC's achievements and notes where improvement is needed.

Providing something for everyone

Across its output, the BBC fulfilled a wide range of commitments including:

- *providing more factual programming during peak time on television than other broadcasters.* Fifty-one per cent of BBC One's peak time programming was factual (compared with 31.9 per cent on ITV and 35.6 per cent on Channel 5). On BBC Two the figure was 50.4 per cent (compared with 50.2 per cent on Channel 4).
- *increasing awareness of the BBC's role as a provider of education programmes through major initiatives to capture the public's imagination.* Following television's *Computers Don't Bite*, for instance, one million magazines were distributed and 90,000 people tried out computers for the first time.
- *introducing the changes to the Radio 4 schedule smoothly, by taking listeners' issues and concerns into account, keeping you informed about what is happening and answering your queries.* Following BBC Radio's most extensive consultation programme ever, 30,000 listeners requested leaflets explaining the new schedule. *In Touch*, for example, was re-instated in response to audience concerns.

However, the BBC needs to improve on its commitment to:

- *produce high profile arts programmes on radio and television which will appeal to – and make an impact on – audiences.* Work will now focus on improving the appeal and impact of arts programming on television.
- *attract new listeners by promoting Radio 3's programmes more widely and making it easier for listeners to find what they want.* Radio 3 has made progress and audiences are up. Work continues to make the network accessible while retaining its authority.

But by a small margin the BBC fell short of its commitment to:

- *spend one third of the BBC network programme budget outside London and the South East.* BBC Radio met this commitment in full. In television, however, commissioned programmes were delivered later than originally planned. As a result, 31.3 per cent of the budget was spent outside London and the South East (compared with 33 per cent last year).
- *ensure that at least eight in every ten hours of programming in television is made in the UK.* There was an improvement, but

the BBC fell short of this target for the second year running. In 1997/98, 78 per cent of BBC programmes were made in the UK (compared with 77 per cent last year).

Maintaining high standards

The BBC fulfilled its commitment to:

- *reduce the number of times the BBC makes a significant mistake about the suitability for children of programmes shown before the 9.00pm 'watershed'.* Mistakes were reduced with careful scheduling. The number of complaints upheld by the BBC's Programme Complaints Unit (PCU) about programmes unsuitable for broadcast on television before 9.00pm fell to four (compared with 11 last year).
- *reduce the number of times the BBC makes a significant mistake in dealing fairly with individuals and organisations who are the subject of strong, damaging criticism.* In programmes making a strong criticism of an individual or organisation, three complaints of unfair treatment were upheld (compared with nine last year).
- *conduct research to find out audience views on BBC interviewing style, and to respond to them.* The completed research shows that the audience wants interviewers to be searching and robust where appropriate, and to clarify issues – not mimic a 'debating club'.
- *abide by the BBC's Code of Practice (the Producers' Guidelines), monitor performance, and act on any areas of concern.* Complaints about a possible breach of standards are investigated by the BBC's Programme Complaints Unit. The number of complaints upheld fell slightly this year and *Watchdog*, in particular, improved its record (one complaint upheld, compared with the nine last year). The Governors regret any breach of the high standards that are set, but taken overall BBC programmes can properly claim to be *fair, accurate and impartial; keep in touch with our audiences' views on taste and decency, and not cause widespread offence; treat contributors fairly and respect people's privacy.*

However, the BBC fell short of its commitment to:

- *represent all groups in society accurately and avoid reinforcing prejudice with the portrayal of Irish people in *EastEnders* in September 1997, for which the BBC has apologised.*

Giving value for money

The BBC fulfilled its commitment to:

- *make additional savings of at least £62 million which will be spent on better programmes and services.* Savings of £76 million exceeded this target.
- *reduce evasion and collection costs from their current level of 13.1 per cent of the licence fee.* Costs came down to 12.6 per cent for 1997/98.
- *continue to make it easier to pay the licence fee, by extending additional payment options and providing greater flexibility.* Cash Easy Entry was introduced ahead of schedule, along with telephone direct debit and credit card payment schemes.

BBC Objectives

- increase the net financial benefit to the BBC of BBC Worldwide's commercial activities to more than £77 million. The net benefit of £90.7 million exceeded the target (compared with £73.5 million in the previous year). Cash flow to the BBC was £74.9 million compared with £52.9 million in the previous year.

Improving access to services

The BBC fulfilled its commitment to:

- ensure that at least half of all scheduled programme output is subtitled by the end of March 1998.
- complete the goal of subtitling all BBC local and regional news and current affairs.
- continue development work on technical standards for Audetel.
- continue to improve access to BBC buildings and studios.

Being accountable and responsive

The BBC fulfilled its commitment to:

- improve its performance and meet the ten day deadline for replying to at least 90 per cent of letters to Viewer and Listener Information.
- improve its telephone enquiry system to make it easier and quicker to get through.
- continue to consult on any major changes to the nature of services the BBC is considering – and report on the feedback and any changes it makes as a result.
- set up a system to record the most common points made in letters and calls relating to requests, and ensure these are taken into account in deciding what to repeat.
- set up and work to a timetable for completing NICAM stereo sound coverage. 95 per cent coverage has been achieved and we will further increase coverage over the next two years.

However, work continues on the BBC's commitment to:

- improve the performance in dealing with straightforward serious complaints within the 20 day target; to deal with more complex cases as quickly as possible; and to tell all complainants at the earliest stage when they can expect a result. The BBC responded to 48.5 per cent of complaints within the target time (compared with 35.5 per cent last year). Improvement was marked in the second half of the year: 70 per cent of responses were within the target time in the last quarter of 1998, and work continues to increase this to 80 per cent of responses.

Promises for 1998/99

The Statement of Promises for 1998/99 will be published in September, describing the BBC's services, standards and objectives for the year ahead.

The Governors have endorsed the following key objectives for the BBC in 1998/99:

- 1 **Secure the BBC's role as a standard setter of programme quality, in new as well as existing services, continuously innovating, developing and refreshing output across all genres.**
- 2 **Serve the whole audience effectively, responding to the needs of the different groups of licence payers and communicating the value of the BBC's services to them.**
- 3 **In the light of the BBC's strong commitment to education, embrace the opportunities presented by new initiatives and new broadcasting technologies and ensure that educational purposes underpin programming on a broad front.**
- 4 **Strengthen popular drama, entertainment and situation comedy on television.**
- 5 **Demonstrate increased value for money throughout the BBC.**
- 6 **Maximise the potential for creativity and efficiency of digital production.**
- 7 **Agree and implement plans for responding to new political institutions in Scotland, Wales, Northern Ireland and London.**
- 8 **Secure the position of the World Service within the context of a global strategy for the BBC in television, radio and online.**
- 9 **Continue to improve the effectiveness of the BBC's two main commercial businesses – BBC Worldwide and BBC Resources – while trading fairly.**
- 10 **Build on the improvement in two-way communication between staff and management and ensure that all who work for the BBC play their part in delivering BBC goals and strategies.**

Report of the Governors and Executive Committee for the year ended 31 March 1998

The Governors and members of the Executive Committee present their annual report and the audited financial statements for the year ended 31 March 1998.

Principal activities

The British Broadcasting Corporation ('BBC') is a broadcasting corporation set up by Royal Charter. Its purpose is to provide public service broadcasting in the UK, through the Home Services, and overseas through the World Service.

The BBC also has a remit to pursue its commercial objectives within the group framework established by its Royal Charter and an Agreement with the Secretary of State for Culture, Media and Sport. These commercial objectives are pursued through the BBC's wholly owned subsidiary, BBC Worldwide Limited ('BBC Worldwide') by exploiting programme assets, acquired from the BBC, throughout the world.

The Home Services receive income voted by Parliament, via the Department of Culture, Media and Sport, derived from the sale of television licences. The results of the Home Services are consolidated with the results of BBC Worldwide in the financial statements. The consolidated group is referred to as the Home Services Group and includes the Open University Production Centre which receives a grant from the Open University.

The World Service also receives income voted by Parliament, via the Foreign and Commonwealth Office, in the form of Grants-in-Aid.

Review of business and results

The Director-General's Review and Governors' Assessment on pages 9 to 35 and 36 to 51 provide information on the development of the BBC's activities during the year and the outlook for the future.

Details of the results for the year of the Home Services Group and the World Service are set out in the statements of income and expenditure on pages 56 and 72 respectively and in the notes to the financial statements.

Members of the Board of Governors and Executive Committee

The current membership of the Board of Governors and of the Executive Committee is listed on pages 6 to 8.

Lord Nicholas Gordon Lennox retired from the Board of Governors on 31 December 1997 and Dame Pauline Neville-Jones was appointed on 1 January 1998.

Bob Phillis resigned from the Executive Committee on 30 November 1997. Dick Emery was appointed to the Executive Committee as acting Chief Executive of BBC Worldwide on 1 December 1997 and resigned on 31 March 1998.

Sam Younger, Managing Director of World Service, was appointed to the Executive Committee on 1 December 1997.

Rodney Baker-Bates resigned from the Executive Committee as Director of Finance and IT on 31 March 1998. John Smith was appointed as Director of Finance on 1 August 1997 and was appointed to the Executive Committee on 1 April 1998.

No Governors or members of the Executive Committee have any shareholdings or other beneficial interests in any of the subsidiary companies of the BBC.

Research and development

During the year the BBC spent £11.0m (1996/97 £9.6m) on engineering research and development; in addition, the BBC incurs expenditure on the development of programme scripts.

Creditor payment policy

It is the BBC's policy to comply with the CBI prompt payment code in relation to the payment of suppliers. The BBC monitors compliance against the terms of this code. The BBC's creditor days outstanding at 31 March 1998 was 58 days.

Employee participation

Internal communication and employee participation are described in the Organisation and Management section of the Director-General's Review. Regular meetings are held with the recognised trade unions: BECTU, NUJ and AEEU.

Equal opportunities

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

Ethnic and gender targets have been set with the aim of ensuring that the BBC workforce fairly represents the UK population as far as possible and these are supported by a number of equal opportunities initiatives.

Training

Training initiatives are described in the Organisation and Management section of the Director-General's Review.

Disabled people

Disabled people, whether registered as such or not, are fully and fairly considered for vacancies arising within the BBC and are given equal opportunities with other staff in relation to training, career development and promotion.

Existing employees who become disabled are retained in the BBC's employment wherever possible.

Donations

The BBC does not make political donations.

Charitable appeals are broadcast regularly on television and radio. The BBC presents special evening schedules in support of Children in Need (every year) and Comic Relief (every other year).

BBC Worldwide gave £2.2m under gift aid during the year to the Diana, Princess of Wales Memorial Fund as a result of the sales of the Diana tribute video and book.

Post balance sheet events

On 28 May 1998 BBC Worldwide sold 1.6 million shares in Flextech plc realising a profit of £8.4m.

By order of the Governors and Executive Committee.

Christopher Graham

The Secretary of the BBC
25 June 1998

Financial Statements 1997/98

Statement of Responsibilities

Statement 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 to disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to do so.

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

Auditors' Report

Report of the Auditors to the members of the British Broadcasting Corporation ('BBC')

We have audited the BBC's financial statements on pages 56 to 77 which comprise the financial statements of both the Home Services Group and the World Service and which are prepared on the basis set out in the statement of accounting policies on pages 54 and 55.

Respective responsibilities of the Governors and Executive Committee and Auditors

As described on page 53 the Governors and Executive Committee are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the 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 Group, the Home Services and the World Service as at 31 March 1998 and of the surplus of the Home Services Group and the deficit of the World Service 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

KPMG
Chartered Accountants
Registered Auditors
London
25 June 1998

Statement of Accounting Policies

The principal accounting policies of the British Broadcasting Corporation ('BBC') are set out below.

Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the BBC's Charter and Agreement, the accounting and disclosure provisions of the Companies Act 1985 and with applicable accounting standards consistently applied. They are presented under the historical cost convention as modified by the revaluation of certain plant and machinery in the Home Services and the World Service and certain furniture and fittings in the World Service.

Basis of consolidation

The BBC comprises the Home Services Group and the World Service. The Home Services Group comprises the Home Services, its subsidiaries including BBC Worldwide and the Open University Production Centre. The results of subsidiary undertakings 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.

Consolidated financial statements of the Home Services Group are presented on pages 56 to 71. A separate statement of income and expenditure for the Home Services would not provide significant additional information and is therefore not presented.

Separate financial statements for the World Service are presented on pages 72 to 77. There is no requirement for the World Service to produce consolidated financial statements as its subsidiary and associated undertakings are not material. As in prior years the World Service is not consolidated with the Home Services Group as its source of funding is fundamentally different from the Home Services.

Income

(a) Home Services Group

Income derived from television broadcast receiving 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 to the BBC for any year cannot exceed the total amount voted by Parliament for that year, and variations between income collected and the amount voted are provided in the current year's financial statements and adjusted in the amount of cash received in the following year.

BBC Worldwide 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; and income from the sale of magazines, books, videos, compact discs, tapes and character merchandise.

(b) World Service

Income derived from Grants-in-Aid from the Foreign and Commonwealth Office cannot exceed the total amount voted

by Parliament for the year. Sums received are intended to meet estimated expenditure but unexpended receipts for the year, within predetermined limits, are not liable to surrender.

Other income received by the World Service is set out in note 1 of the World Service financial statements.

Foreign currency translation

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

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

The profit and loss accounts and cash flows of overseas subsidiaries are translated into sterling at average rates for the year. Exchange differences arising on consolidation from the retranslation of the opening net investment in overseas subsidiaries and from the translation of the results at the average rate of exchange are taken directly to the operating reserve and reported in the statement of total recognised gains and losses.

Pension costs

The regular pension cost of the BBC's defined benefit scheme, reduced by amortisation of the scheme surplus over the average remaining service lives of employees in the scheme, is charged to the statement of income and expenditure.

The cost of other funded and unfunded defined contribution pension schemes is charged as incurred.

Research and development

Research and development expenditure is written off as incurred.

Operating leases

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

Goodwill

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

Tangible fixed assets

Expenditure on fixed assets is capitalised together with internal costs incurred on capital projects.

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

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

Land and buildings

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

Plant and machinery

Computer equipment – 3 to 5 years

Furniture and fittings – 3 to 10 years

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

World Services' plant and machinery and furniture and fittings is stated at the estimated current replacement cost of the assets, as adjusted for service potential, as at 1 April 1996, or cost if acquired subsequently, less accumulated 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 written off over the average marketable life which is estimated to be between five and ten years based on programme genre.

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, after deducting contributions from co-producers. 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 and a proportion of production and 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. A typical write-off profile is 70% on first transmission, 20% on second transmission and 10% on third transmission.

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 stocks are stated at the lower of cost and net realisable value.

Unpresented cheques

Unpresented cheques have been deducted from the cash balance reported in the Balance Sheet. In previous years, unpresented cheques were separately disclosed in creditors. The change in policy has been adopted to conform to conventional accounting practice and the comparative figures have been restated accordingly.

Deferred taxation

Deferred taxation is computed under the liability method. Provision is made in respect of timing differences between the treatment of certain items in the financial statements and their treatment for taxation purposes to the extent that it is probable that a liability will crystallise in the foreseeable future.

Capital and revaluation reserves

The values of the capital reserve in the Home Services and World Service are equal to the net book value of fixed assets at historic cost. The revaluation reserves reflect the difference between this sum and fixed assets at their revalued amount. The operating reserves are the accumulated surplus of the income and expenditure accounts to date.

In the Home Services the licence fee income is used to fund both capital and revenue expenditure and a transfer is made to the capital reserve equal to the movement in the historic cost net book value of fixed assets during the year.

In the World Service the Grants-in-Aid are used to fund both capital and revenue expenditure and a transfer is also made to the capital reserve equal to the movement in the historic cost net book value of fixed assets during the year.

Home Services Group

Consolidated Statement of Income and Expenditure for the year ended 31 March

	Note	1998 £m	1997 £m
Income	1	2,481.0	2,334.5
Operating expenditure	1,2	(2,471.0)	(2,269.9)
Income from interests in associated undertakings		0.6	1.1
Operating surplus	1,3	10.6	65.7
Profit on sale of investments	5	20.7	1.4
Profit on sale of transmission business	5	–	25.6
Surplus before interest and taxation		31.3	92.7
Net interest	6	34.5	11.6
Surplus before taxation		65.8	104.3
Taxation	7	(22.2)	(12.2)
Surplus for the financial year	15	43.6	92.1

The above results are derived from continuing operations.

Balance Sheets at 31 March

	Note	Group 1998 £m	Group 1997 £m	Home Services 1998 £m	Home Services 1997 £m
Fixed Assets					
Tangible fixed assets	8	693.5	630.2	683.5	618.4
Investment in programmes for future sale	9	85.3	84.8	–	–
Investments in subsidiaries	10	–	–	0.3	0.3
Other investments	10	0.6	0.9	0.4	0.3
		779.4	715.9	684.2	619.0
Current assets					
Stocks	11	329.7	315.7	316.4	302.2
Current debtors	12	420.3	341.9	329.5	262.2
Long term debtors	12	31.3	36.8	47.8	62.9
Short term investments	18	412.7	293.8	412.7	293.8
Cash at bank and in hand	18	49.7	165.7	36.8	157.5
		1,243.7	1,153.9	1,143.2	1,078.6
Creditors – amounts falling due within one year	13	(724.3)	(591.7)	(585.8)	(476.0)
Net current assets		519.4	562.2	557.4	602.6
Total assets less current liabilities		1,298.8	1,278.1	1,241.6	1,221.6
Creditors – amounts falling due after more than one year	13	(15.0)	(22.4)	(15.0)	(22.4)
Provisions for liabilities and charges	14	(67.5)	(80.2)	(67.5)	(80.2)
Net assets		1,216.3	1,175.5	1,159.1	1,119.0
Represented by					
Capital reserve	15	683.2	617.7	683.2	617.7
Revaluation reserve	15	1.0	1.3	1.0	1.3
Operating reserve	15	532.1	556.5	474.9	500.0
		1,216.3	1,175.5	1,159.1	1,119.0

The financial statements were approved by the Governors and Executive Committee on 25 June 1998 and signed on their behalf by:

Sir Christopher Bland

Chairman of the BBC

Sir John Birt

Director-General

John Smith

Director of Finance

Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 March

	1998 £m	1997 £m
Surplus for the financial year	43.6	92.1
Exchange differences on foreign currency translation	(0.9)	(0.9)
Total recognised gains and losses relating to the year	42.7	91.2

Note of Consolidated Historical Cost Surpluses for the year ended 31 March

	1998 £m	1997 £m
Surplus before taxation	65.8	104.3
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on revalued assets	0.3	6.9
Revaluation surplus realised on sale of transmission business	-	22.5
Historical cost surplus before taxation	66.1	133.7
Historical cost surplus for the financial year	43.9	121.5

Reconciliation of Movement in Consolidated Net Assets for the year ended 31 March

	1998 £m	1997 £m
Surplus for the financial year	43.6	92.1
Other recognised gains and losses relating to the year	(0.9)	(0.9)
Goodwill on acquisition	(1.9)	(0.2)
Increase in net assets during the year	40.8	91.0
Opening net assets	1,175.5	1,084.5
Closing net assets	1,216.3	1,175.5

Consolidated Cash Flow Statement for the year ended 31 March

	Note	1998 £m	1997 £m
Net cash inflow from operating activities	16	185.9	323.9
Return on investments and servicing of finance			
Interest received		28.9	9.3
Interest paid		–	(1.2)
Net cash inflow from return on investments and servicing of finance		28.9	8.1
Taxation			
Taxation paid		(22.8)	(12.8)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(157.2)	(104.9)
Investment in programmes for future sale		(55.1)	(55.7)
Proceeds from the sale of tangible fixed assets		0.6	3.7
Proceeds from the sale of investments		23.2	1.6
Proceeds from the sale of transmission business	5	–	233.3
Net cash (outflow)/inflow from capital expenditure		(188.5)	78.0
Acquisitions and disposals			
Purchase of fixed asset investments		–	(0.5)
Purchase of subsidiary undertakings	19	(3.2)	(0.2)
Net cash acquired with subsidiary	19	2.6	–
Net cash outflow from acquisitions and disposals		(0.6)	(0.7)
Cash inflow before use of liquid resources		2.9	396.5
Management of liquid resources			
Net cash withdrawn from/(placed on) deposit	18	136.5	(205.1)
Purchase of other liquid resources	18	(118.9)	(278.8)
Net cash inflow/(outflow) from management of liquid resources		17.6	(483.9)
Increase/(decrease) in cash	17,18	20.5	(87.4)

Liquid resources comprise bank deposits not repayable on demand and other short term investments which include gilts, certificates of deposit and commercial papers.

I Income, surplus and net assets**Ia Analysis of income, surplus and net assets**

1998	Note	Home Services £m	BBC Worldwide £m	Total £m
Licence fee	1b	2,009.7	–	2,009.7
Other income	1c, 1d	62.4	408.9	471.3
Total external income		2,072.1	408.9	2,481.0
Operating expenditure	2	(2,054.3)	(416.7)	(2,471.0)
Income from interests in associated undertakings		–	0.6	0.6
Operating surplus/(deficit)		17.8	(7.2)	10.6
Profit on sale of investments	5a	–	20.7	20.7
Surplus before interest and taxation		17.8	13.5	31.3

The Home Services Group's net assets of £1,216.3m include net assets of £56.2m relating to BBC Worldwide.

The net assets used by the Home Services are all located in the United Kingdom.

1997	Note	Home Services £m	BBC Worldwide £m	Total £m
Licence fee	1b	1,915.2	–	1,915.2
Other income	1c, 1d	65.5	353.8	419.3
Total external income		1,980.7	353.8	2,334.5
Operating expenditure	2	(1,920.2)	(349.7)	(2,269.9)
Income from interests in associated undertakings		–	1.1	1.1
Operating surplus		60.5	5.2	65.7
Profit on sale of investments	5a	–	1.4	1.4
Profit on sale of transmission business	5b	25.6	–	25.6
Surplus before interest and taxation		86.1	6.6	92.7

The Home Services Group's net assets of £1,175.5m include net assets of £55.7m relating to BBC Worldwide.

Ib Licence fee

Licence fee income	1998 £m	1997 £m
Colour	1,949.0	1,861.6
Monochrome	12.2	15.0
Concessionary	3.0	3.5
	1,964.2	1,880.1
Quarterly payment scheme premium	16.0	16.5
Other income and adjustments	29.5	18.6
	2,009.7	1,915.2

Licence fee	1998 £	1997 £
Colour	91.50	89.50
Monochrome	30.50	30.00
Concessionary	5.00	5.00

From 1 April 1998 the colour and monochrome licence fees were increased to £97.50 and £32.50 respectively. The concessionary licence fee remained at £5.

Licences in force	1998 Number m	1997 Number m
Colour	21.3	20.8
Monochrome	0.4	0.5
Concessionary	0.6	0.7
	22.3	22.0

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

During the year 3.2m (1996/97 3.3m) colour licences were issued under the quarterly payment scheme at a premium of £5.00 each (1996/97 £5.00). In addition 4.1m (1996/97 3.2m) colour licences were issued under the monthly payment scheme, without a premium.

Other 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.

1c Other income by activity
i BBC Worldwide

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

BBC Worldwide comprises BBC Worldwide Limited and its subsidiaries (see note 10b).

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

ii Home Services

	1998	1997
	£m	£m
Hire of BBC Resources' facilities	33.5	21.8
Rents receivable	0.9	7.6
Open University Production Centre	10.0	9.8
Other income	18.0	26.3
Total	62.4	65.5

In 1997 rents receivable included rents derived from the use of the transmission network by external customers.

Other income includes the sale of concert tickets and the provision of services to foreign broadcasters. In 1997 income from the sale of surplus transmission capacity was included in other income.

1d Analysis of other income by geographical destination
i BBC Worldwide

	1998	1997
	£m	£m
United Kingdom	273.2	213.9
United States	43.9	38.0
Rest of the World	91.8	101.9
Total	408.9	353.8

All income originates from within the UK.

ii Home Services

All income originates in and is destined for the United Kingdom.

1e Analysis of BBC Worldwide's profit before interest and tax by type of business

	Operating result	Sale of investments	Exceptional items	Total
	1998	1998	1998	1998
	£m	£m	£m	£m
Publishing	20.0	-	-	20.0
Programme distribution	6.9	20.7	(5.2)	22.4
Channels	(20.0)	-	(8.9)	(28.9)
Total	6.9	20.7	(14.1)	13.5

The profit on sale of investments is explained in note 5a.

The £5.2m programme distribution exceptional item represents the joint venture start-up costs arising from the negotiations and launch of the various joint venture arrangements with Discovery Communications Inc (see note 10c).

The £8.9m channels exceptional item represents the trade balances due from European Channel Management Limited ('ECM') to BBC Worldwide which existed prior to ECM becoming a subsidiary.

	Operating result	Sale of investments	Exceptional items	Total
	1997	1997	1997	1997
	£m	£m	£m	£m
Publishing	17.3	1.4	-	18.7
Programme distribution	10.7	-	-	10.7
Channels	(18.7)	-	(4.1)	(22.8)
Total	9.3	1.4	(4.1)	6.6

The profit on sale of investments is explained in note 5a.

The £4.1m channels exceptional item represents a provision against the trading debts of ECM.

If Analysis of BBC Worldwide's profit before interest and tax by geographical location

	Operating result	Sale of investments	Exceptional items	Total
	1998	1998	1998	1998
	£m	£m	£m	£m
United Kingdom	23.9	20.7	-	44.6
Americas	11.0	-	(5.2)	5.8
Rest of World	(28.0)	-	(8.9)	(36.9)
Total	6.9	20.7	(14.1)	13.5

See 1e for explanation of exceptional items.

	Operating result	Sale of investments	Exceptional items	Total
	1997	1997	1997	1997
	£m	£m	£m	£m
United Kingdom	18.6	1.4	-	20.0
Americas	5.4	-	-	5.4
Rest of World	(14.7)	-	(4.1)	(18.8)
Total	9.3	1.4	(4.1)	6.6

See 1e for explanation of exceptional items.

1g Analysis of BBC Worldwide's net assets by geographical location

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

4c Pensions

The principal pension scheme of the BBC, the BBC Pension Scheme, provides salary-related pension benefits on a defined benefit basis. The scheme is subject to independent valuation by a professionally qualified actuary at least every three years, on the basis of which the actuary certifies the rate of employer's contributions which, together with the specified contributions payable by employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable under the scheme. The most recent actuarial valuation of the scheme was prepared as at 1 April 1996, using the projected unit method.

The main long-term assumptions of the valuation were that the annual rate of return on investments would exceed increases in earnings by 1.9% and exceed pension increases by 3.8%.

At the date of the most recent actuarial valuation, the market value of the assets of the scheme was £4,642m and the actuarial value of the assets was sufficient to cover 120% of the benefits due to members, after allowing for expected future increases in earnings. The BBC and employees contribute at a rate of 4.5% of pensionable earnings. The scheme continues to benefit from full tax relief under the Inland Revenue guidelines.

The scheme surplus is being amortised over 12 years, the expected average remaining service lives of the employees.

In the Home Services Group an amount of £16.0m (1997 £18.3m) is included in prepayments, representing the cumulative net excess contributions to the pension fund. The pension charge for the year was £21.2m (1996/97 £19.9m).

4d Remuneration of the Board of Governors

Members of the Board of Governors receive a fee determined by the Secretary of State for Culture, Media and Sport and approved by the Minister for the Civil Service. They are additionally reimbursed for expenses incurred on BBC business. The increase in annual remuneration notified for 1997/98 was 2.8%.

The remuneration received by each Governor was:

	Fees £'000	Benefits £'000	Total 1998 £'000	Total 1997 £'000
Chairman				
Sir Christopher Bland	67	8	75	69
Governors				
Lord Cocks of Hartcliffe	17	1	18	18
Sir Kenneth Bloomfield	17	3	20	19
Janet Cohen	9	1	10	9
The Rev Norman Drummond	17	5	22	19
Sir Richard Eyre	9	—	9	8
Roger Jones	17	4	21	5
Bill Jordan	9	9	18	14
Dame Pauline Neville-Jones (appointed 1 January 1998)	2	1	3	—
Lord Nicholas Gordon Lennox (resigned 31 December 1997)	6	3	9	11
Sir David Scholey	9	—	9	8
Margaret Spurr	13	2	15	15
Adrian White	9	2	11	11
	201	39	240	206

Pensions

An amount of £20,000 was provided in both years to meet the BBC's pension obligations under the Charter to former Chairmen and their surviving spouses.

The BBC provided pension benefits during the period as follows:

	Increase in accrued pension (a) £'000 per annum	Total accrued pension at 31 March 1998 (b) £'000 per annum	Transfer value of increase (c) (d) £'000	Chairman's contributions (e) £'000	BBC contribution to money purchase scheme (f) £'000
Sir Christopher Bland	1	2	19	3	—

No additional voluntary contributions have been included in the above table.

Notes to Pension Benefits

- The increase in accrued pension during the year excludes any increase for inflation.
- The pension entitlement shown is that which would be paid annually based on service to the end of the year.
- The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.
- The transfer value represents a liability of the BBC to make pension payments in the future but not a sum paid or due to the individual and therefore cannot be meaningfully added to the remuneration.
- The Chairman's contributions to the defined benefits scheme during the 1997/98 financial year.
- The actual BBC contribution to a separate money purchase (defined contribution) pension scheme.

Notes to the Financial Statements (continued)

4e Remuneration of the Executive Committee

General Policy on Remuneration of the Executive Committee.

The Remuneration Committee aims to ensure that packages offered to Executive Committee members:

- enable the BBC to attract, retain and motivate high-calibre executives
- are positioned at the median against an established comparator group (which includes other broadcasting organisations, major public listed companies and central government agencies) in terms of total cash (basic salary plus annual bonus payment)
- remunerate individuals fairly for individual responsibility and contribution, while providing for an element of 'at risk' performance-related pay, reflecting the underlying performance of the BBC
- take into account salary policy within the rest of the BBC and the relationship that should exist between the remuneration of members of the Executive Committee 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 BBC has complied with the 'Best Practice' provisions for remuneration committees recommended by the London Stock Exchange and, in framing the BBC's remuneration policy, given consideration to the best practice provisions of the Listing Rules which provide guidance on remuneration policy, service contracts and compensation; in so far as these provisions are relevant to the BBC's constitution and structure.

The remuneration arrangements for Executive Committee members include the following:

Basic salary

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

Annual bonus

The Director-General was eligible to receive a bonus of up to 25% of basic salary and other members of the Executive Committee were eligible to receive a bonus of up to 20% of basic salary for meeting certain performance targets. Qualitative and quantitative objectives were set at the beginning of the 1997/98 financial year, and performance was reviewed at year end. For the year under review the targets related primarily to the objectives which were endorsed by Governors and published in the 1996/97 Annual Report & Accounts, and the standards incorporated in the Statement of Promises.

Bonuses are generally reflected on a paid basis, other than in respect of bonuses accrued for members of the Executive Committee who leave during the year.

Benefits

Members of the Executive Committee are eligible for a company car and free petrol for private use, a chauffeur driven car for business use, medical insurance covering the executive and family, and use of a mobile telephone.

Pensions

Most members of the Executive Committee 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 final salary per year of service subject to the Inland Revenue earnings cap where appropriate. Only base salary is pensionable. The scheme provides for early retirement on medical grounds and life insurance cover of four times salary, subject to the Inland Revenue earnings cap where appropriate.

A variety of special arrangements have been made for those individuals who have joined the BBC late in their careers, including funded and unfunded arrangements outside the BBC pension scheme for those individuals earning in excess of the Inland Revenue approved earnings cap. Two members of the Executive Committee are members of a money purchase scheme.

The Corporation provided pension benefits during the period as follows:

	Increase in accrued pension (a) £'000 per annum	Total accrued pension at 31 March 1998 (b) £'000 per annum	Transfer value of increase (c) (d) £'000	Executive Committee Members' contributions (e) £'000	BBC contribution to money purchase scheme (f) £'000
Sir John Birt	12	92	209	13	14
Bob Phillis	—	—	—	—	54
Rodney Baker-Bates	3	14	50	8	—
Colin Browne	3	11	48	8	—
Dick Emery	1	9	16	2	—
Tony Hall	7	73	96	10	—
Patricia Hodgson	9	80	148	12	—
Rod Lynch	3	30	44	8	—
Ronald Neil	7	116	130	16	—
Margaret Salmon	7	44	112	13	—
Will Wyatt	11	118	189	17	—
Sam Younger	2	44	25	3	—

No additional voluntary contributions have been included in the above table.

Notes to Pension Benefits

(a) The increase in accrued pension during the year excludes any 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 a liability of the BBC to make pension payments in the future but not a sum paid or due to the individual and therefore cannot be meaningfully added to the remuneration.

(e) The Executive Committee Members' contributions to the defined benefits scheme during the 1997/98 financial year.

(f) The actual BBC contribution to a separate money purchase (defined contribution) pension scheme.

The remuneration received by each member of the Executive Committee was:

	Salary £'000	Annual bonus £'000	Benefits £'000	Total 1998 £'000	Total 1997 £'000
Sir John Birt	305	60	22	387	354
Bob Phillis (resigned 30 November 1997)	169	50	11	230	253
Rodney Baker-Bates (resigned 31 March 1998)	172	15	19	206	195
Colin Browne	168	15	15	198	185
Dick Emery (appointed 1 December 1997)	60	—	6	66	—
Tony Hall	175	30	18	223	197
Patricia Hodgson	168	28	11	207	180
Rod Lynch	177	19	12	208	202
Ronald Neil	205	30	19	254	226
Margaret Salmon	168	28	15	211	200
Will Wyatt	205	26	14	245	231
Sam Younger (appointed 1 December 1997)	42	—	5	47	—
	2,014	301	167	2,482	2,223

Service contracts

Service contracts for members of the Executive Committee have been individually determined. All Executive Committee members have rolling 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 two external directorships, one of which may be in a commercial organisation. Governors assess such requests against rigorous criteria to ensure that conflicts of interest do not arise. Remuneration which arises from interests agreed since the introduction of the policy is paid to the BBC.

5 Profit on sale

5a Profit on sale of investments

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

On 26 June 1997, BBC Worldwide (Investments) Limited disposed of 3.8 million shares in Flextech plc (see note 10b). Profit on sale of investments is stated net of expenses.

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

5b Profit on sale of transmission business

On 28 February 1997 the BBC sold its Home Services' transmission business to Castle Transmission Services (Holdings) Limited. The net assets disposed of and consideration received comprised:

	1998 £m	1997 £m
Net sale proceeds	–	233.3
Less net assets disposed of:		
Tangible fixed assets	–	(209.5)
Net current liabilities	–	1.8
Profit on sale of transmission business	–	25.6

The sale of the transmission business was exempt from corporation tax.

6 Net interest

	1998 £m	1997 £m
Interest receivable	34.5	12.4
Interest payable on bank loans and overdrafts	–	(0.8)
	34.5	11.6

7 Taxation

The Home Services Group is only liable to taxation on profits derived from those activities carried on with a view to profit and on rent, royalties and interest receivable.

The charge for the year, based on a rate of corporation tax of 31% (1996/97 33%), comprised:

	1998 £m	1997 £m
Current year:		
Corporation tax	14.6	11.5
Deferred taxation	(0.2)	(3.8)
Group relief payable	1.3	–
Double taxation relief	–	(2.1)
	15.7	5.6
Overseas taxation	4.2	5.5
Share of associated undertakings' tax	0.4	0.6
	20.3	11.7
Prior year:		
Corporation tax	(0.2)	–
Deferred taxation	0.2	3.8
Group relief payable	–	(3.3)
Overseas taxation	1.9	–
	1.9	0.5
	22.2	12.2

The 1997/98 tax charge has been affected by higher interest income and adjustments relating to prior years in respect of foreign tax balances.

8 Tangible fixed assets

8a Home Services Group

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets in the course of construction £m	Total £m
Cost or valuation					
At 1 April 1997	500.8	436.9	44.6	52.4	1,034.7
Transfer between categories	(24.6)	17.0	7.6	–	–
Additions	8.5	73.5	5.6	77.5	165.1
Brought into service	5.9	21.5	2.8	(30.2)	–
Disposals	(1.6)	(29.9)	(4.6)	(7.7)	(43.8)
At 31 March 1998	489.0	519.0	56.0	92.0	1,156.0
Comprising:					
Cost	489.0	364.5	56.0	92.0	1,001.5
Valuation at 31 March 1993	–	154.5	–	–	154.5
	489.0	519.0	56.0	92.0	1,156.0
Depreciation					
At 1 April 1997	144.0	236.1	24.4	–	404.5
Transfer between categories	(9.6)	8.6	1.0	–	–
Charge for the year	12.9	60.0	7.2	–	80.1
Elimination in respect of disposals	–	(20.5)	(1.6)	–	(22.1)
At 31 March 1998	147.3	284.2	31.0	–	462.5
Net book value					
At 31 March 1998	341.7	234.8	25.0	92.0	693.5
At 31 March 1997	356.8	200.8	20.2	52.4	630.2

Home Services' plant and machinery was revalued at 31 March 1993 based on the estimated current replacement cost of the assets, adjusted for service potential.

A transfer has been made between categories during 1997/98 in line with advice from Lambert Smith Hampton, surveyors.

Historical cost basis

The net book value of tangible fixed assets included in the above table determined on an historical cost basis is as follows:

Plant and machinery	1998 £m	1997 £m
Cost	410.7	340.0
Depreciation	176.9	140.5
Net book value	233.8	199.5

8b Home Services

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets in the course of construction £m	Total £m
Cost or valuation					
At 1 April 1997	498.2	404.6	33.6	52.4	988.8
Transfer between categories	(24.6)	17.0	7.6	–	–
Transfer from subsidiary	–	3.4	–	–	3.4
Additions	8.5	70.7	4.5	77.5	161.2
Brought into service	5.9	21.5	2.8	(30.2)	–
Disposals	(1.5)	(29.0)	(3.9)	(7.7)	(42.1)
At 31 March 1998	486.5	488.2	44.6	92.0	1,111.3
Comprising:					
Cost	486.5	333.7	44.6	92.0	956.8
Valuation at 31 March 1993	–	154.5	–	–	154.5
	486.5	488.2	44.6	92.0	1,111.3
Depreciation					
At 1 April 1997	142.1	213.5	14.8	–	370.4
Transfer between categories	(9.6)	8.6	1.0	–	–
Transfer from subsidiary	–	2.5	–	–	2.5
Charge for the year	12.9	56.3	5.9	–	75.1
Elimination in respect of disposals	–	(19.7)	(0.5)	–	(20.2)
At 31 March 1998	145.4	261.2	21.2	–	427.8
Net book value					
At 31 March 1998	341.1	227.0	23.4	92.0	683.5
At 31 March 1997	356.1	191.1	18.8	52.4	618.4

Historical cost basis

The net book value of tangible fixed assets included in the above table determined on an historical cost basis is as follows:

Plant and machinery	1998 £m	1997 £m
Cost	379.9	307.7
Depreciation	153.9	117.9
Net book value	226.0	189.8

8c Land and buildings at net book value comprise:

	Group 1998 £m	Group 1997 £m	Home Services 1998 £m	Home Services 1997 £m
Freeholds	321.8	321.7	317.7	321.7
Long leaseholds	3.9	3.9	3.9	3.9
Short leaseholds	16.0	31.2	19.5	30.5
	341.7	356.8	341.1	356.1

The Governors and members of the Executive Committee are satisfied that there has been no permanent diminution in the carrying values of freehold properties at the balance sheet date.

Land and buildings in the Home Services Group and the Home Services include freehold land at a cost of £56.1m (1997 £58.6m) which is not depreciated.

9 Investment in programmes for future sale

	Group £m
Cost	
At 1 April 1997	175.1
Exchange adjustment	(1.7)
Additions	55.1
Elimination of programmes fully amortised	(43.9)
At 31 March 1998	184.6
Amortisation	
At 1 April 1997	90.3
Exchange adjustment	(1.4)
Charge for the year	54.3
Elimination in respect of programmes fully amortised	(43.9)
At 31 March 1998	99.3
Net book value	
At 31 March 1998	85.3
At 31 March 1997	84.8

10 Investments

10a The Home Services own 100% of the issued ordinary share capital of the following companies which are incorporated in Great Britain:

Cost	1998 £m	1997 £m
BBC Worldwide Limited	0.3	0.3
BBC Subscription Television Limited	-	-
BBC Investments Limited	-	-
	0.3	0.3

The activities of the Home Services' principal subsidiary, BBC Worldwide Limited, are set out in the statement of accounting policies.

Copies of BBC Worldwide Limited's Annual Report can be obtained from the Secretary of the BBC, Broadcasting House, London W1A 1AA.

The following investments are also held in companies incorporated in Great Britain:

	Holding of issued ordinary shares %
Parliamentary Broadcasting Unit Limited	33
Broadcasters Audience Research Board Limited	50
RAJAR (Radio Joint Audience Research) Limited	50

10b BBC Worldwide Limited holds the following significant interests in companies which, except where otherwise stated, are incorporated in Great Britain:

	Holding of issued ordinary shares %
Subsidiaries	
Publishing	
BBC Magazines Inc. (incorporated in America)	100
Galleon Limited	100
Broadcasting Data Services Limited	75
Programme distribution	
BBC Worldwide Americas Inc. (registered in Delaware, USA)	100
BBC Audio International Limited	100
UK Programme Distribution Limited	95
BBC Worldwide (France) SARL (incorporated in France)	100
BBC Worldwide (Germany) GMBH (incorporated in Germany)	100
Channels	
New Video Channel America LLC (incorporated in America)	100
European Channel Broadcasting Limited	100
European Channel Management Limited	100
Investment companies	
Worldwide Americas Investments Inc. (incorporated in America)	100
BBC Worldwide (Investments) Limited	100
BBC World Service Television Limited	100
Worldwide Channel Investment Limited	100

Notes to the Financial Statements (continued)

10b continued

	Holding of issued ordinary shares %
Associates	
Publishing	
BBC Haymarket Exhibitions Limited	50
Frontline Limited	23
Programme distribution	
The Sales Consortium Limited	25
Tele Alliance Limited	25
Channels	
UKTV Pty Limited (incorporated in Australia)	20
UKTV Australia (unincorporated joint venture in Australia)	20
Satellite News Corporation Limited (incorporated in Japan)	20
UKTV1 – UK Channel Management Limited	50
UKTV2 – UK Gold Holdings Limited	50
Animal Planet (Latin America) LLC (incorporated in America)	50
People and Arts (Latin America) LLC (incorporated in America)	50
Animal Planet LLC (incorporated in America)	20
JV Programmes LLC (incorporated in America)	50
JV Network LLC (incorporated in America)	50

On 25 April 1997, BBC Worldwide (Investments) Limited disposed of its entire shareholding in UK Gold Television Limited. The shares were acquired by Flextech plc in exchange for the issue to BBC Worldwide (Investments) Limited of 5.4m new ordinary shares in Flextech plc. The new shares received by BBC Worldwide (Investments) Limited are quoted on the London Stock Exchange. On 26 June 1997 3.8m of these shares were sold for £23.2m. The market value of the remaining 1.6m shares was £8.7m at 31 March 1998 (see note 24).

All subsidiaries and associates operate in the country of incorporation.

10c Accounting for entities within the Flextech and Discovery agreements

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

During the year, the Home Services Group signed major partnership deals with Flextech plc ('Flextech') for the production and marketing of subscription channels in the UK, and with Discovery Communications Inc. ('Discovery') for a wide-ranging global partnership incorporating new channels and new co-production funding for programmes. These alliances operate under a number of statutory entities, listed below:

Name of entity	Nature of entity	Partner	Date entered
UK Channel Management Limited	Joint venture	Flextech	April 1997
UK Gold Holdings Limited	Joint venture	Flextech	April 1997
Animal Planet (Latin America) LLC	Associate	Discovery	March 1998
People and Arts (Latin America) LLC	Associate	Discovery	March 1998
Animal Planet LLC	Associate	Discovery	March 1998
JV Programmes LLC	Joint venture	Discovery	March 1998
JV Network LLC	Associate	Discovery	March 1998

Under the terms of the agreement with Flextech and Discovery, the Home Services Group has no obligation to fund losses incurred by the entities nor to make good their net liabilities. As a result, the Home Services Group's equity share of the entities' post tax losses for the period to 31 March 1998 and the net liabilities at 31 March 1998 have been restricted to nil and have therefore not been included in these financial statements.

In addition to the arrangements with Flextech and Discovery, the Home Services Group has other associated undertakings which are listed in note 10b.

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

Pro forma consolidated profit and loss account extract:

	1998 £m
Turnover: group and share of joint ventures	2,499.5
Less: share of joint ventures' turnover	(18.5)
Group turnover	2,481.0
Share of operating profit in:	
Joint ventures	–
Associates	0.4
	0.4
Interest receivable/(payable):	
Group	34.5
Joint ventures	–
Associates	0.2
	34.7

Pro forma consolidated balance sheet extract:

Investments in joint ventures:	
Equity share of gross assets	14.6
Equity share of gross liabilities	(74.6)
Adjustments to reflect effective obligation (see below)	60.0
	–

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

	Associates £m	Joint ventures £m
Equity share of assets:		
Fixed assets	18.7	–
Current assets	17.7	14.6
	36.4	14.6
Equity share of liabilities:		
Due within one year	(29.8)	(12.2)
Due after more than one year	(19.3)	(62.4)
	(49.1)	(74.6)

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

	UK Channel Animal Management Planet LLC £m	Limited £m	UK Gold Holdings Limited £m
Turnover	8.7	1.8	35.2
Loss before tax	(36.2)	(20.7)	(7.4)
Taxation	–	–	–
Loss after tax	(36.2)	(20.7)	(7.4)
Fixed assets	90.2	–	0.1
Current assets	8.3	7.1	22.0
Liabilities due within one year	(30.6)	(5.9)	(18.5)
Liabilities due after more than one year	(96.3)	–	(124.7)

Comparative figures have not been disclosed because at the previous year end there were no joint ventures or material associates.

11 Stocks

	Group 1998 £m	Group 1997 £m	Home Services 1998 £m	Home Services 1997 £m
Raw materials	4.1	5.1	1.9	2.9
Work in progress:				
Originated programmes	195.8	162.3	195.8	162.3
Other	6.6	5.5	1.8	0.3
Finished programmes:				
Acquired programmes and films	81.8	86.3	81.8	86.3
Originated programmes	34.1	49.1	34.1	49.1
Other	7.3	7.4	1.0	1.3
	329.7	315.7	316.4	302.2

12 Debtors

	Group 1998 £m	Group 1997 £m	Home Services 1998 £m	Home Services 1997 £m
Receivable within one year				
Trade debtors	110.2	89.0	16.8	15.2
Amounts owed by associated undertakings	0.6	7.9	0.6	–
Department of Culture, Media & Sport licence fee debtors	170.2	129.4	170.2	129.4
VAT recoverable	24.7	24.4	24.7	19.5
Amounts owed by subsidiaries	–	–	34.9	22.6
Other debtors	55.0	34.9	25.4	21.8
Prepayments	59.6	56.3	56.9	53.7
	420.3	341.9	329.5	262.2
Receivable after more than one year				
Trade debtors	–	1.0	–	0.2
Amounts owed by subsidiaries	–	–	16.9	27.3
Other debtors	0.9	0.6	0.8	0.6
Prepayments	14.4	16.9	14.4	16.9
Prepaid pension contributions	16.0	18.3	15.7	17.9
	31.3	36.8	47.8	62.9
	451.6	378.7	377.3	325.1

The amount owed by subsidiaries receivable after more than one year represents the drawn down element of an unsecured £55m interest bearing facility provided to BBC Worldwide Limited which is repayable within five years. Interest on this facility is charged at market rates.

13 Creditors

	Group 1998 £m	Group 1997 £m	Home Services 1998 £m	Home Services 1997 £m
Amounts falling due within one year				
Trade creditors				
Programme creditors	69.9	62.5	69.2	61.4
Programme acquisitions	44.5	37.8	44.5	37.8
Salaries and wages	49.4	55.0	48.2	54.0
Residual copyright payments	40.8	32.5	–	–
Licence fee collection creditors	5.9	0.5	5.9	0.5
Other trade creditors	169.0	140.5	126.9	96.7
	379.5	328.8	294.7	250.4
Other creditors				
Fixed asset creditors	23.4	15.7	23.4	15.7
Corporation tax	7.8	5.8	9.5	4.4
Amounts owed to World Service	2.6	3.0	2.2	1.8
Amounts owed to associated undertakings	0.2	0.2	–	–
	34.0	24.7	35.1	21.9
Accruals and deferred income	141.2	75.2	86.4	40.7
Licence saving stamps and direct debit instalments	169.6	163.0	169.6	163.0
	310.8	238.2	256.0	203.7
	724.3	591.7	585.8	476.0
	Group 1998 £m	Group 1997 £m	Home Services 1998 £m	Home Services 1997 £m
Amounts falling due after more than one year				
Programme acquisitions	14.1	22.2	14.1	22.2
Other	0.9	0.2	0.9	0.2
	15.0	22.4	15.0	22.4

Creditors falling due after more than one year are all repayable within five years.

14 Provisions for liabilities and charges

	Restructuring £m	Litigation and insurance £m	Other £m	Total £m
Group and Home Services				
At 1 April 1997	43.4	22.2	14.6	80.2
Utilised during the year	(24.1)	(7.2)	(11.9)	(43.2)
Charge for the year	8.8	12.7	9.0	30.5
At 31 March 1998	28.1	27.7	11.7	67.5

Other provisions include amounts relating to costs of relocation.

15 Reserves

	Capital reserve £m	Revaluation reserve £m	Operating reserve £m	Total £m
Group				
At 1 April 1997	617.7	1.3	556.5	1,175.5
Exchange adjustments	–	–	(0.9)	(0.9)
Surplus for the financial year	–	–	43.6	43.6
Revaluation reserve transfer	–	(0.3)	0.3	–
Capital reserve transfer	65.5	–	(65.5)	–
Goodwill on acquisition	–	–	(1.9)	(1.9)
At 31 March 1998	683.2	1.0	532.1	1,216.3
Home Services				
At 1 April 1997	617.7	1.3	500.0	1,119.0
Surplus for the financial year	–	–	40.1	40.1
Revaluation reserve transfer	–	(0.3)	0.3	–
Capital reserve transfer	65.5	–	(65.5)	–
At 31 March 1998	683.2	1.0	474.9	1,159.1

The cumulative goodwill, arising on acquisitions, written off to reserves is £6.9m (1997 £5.0m).

16 Reconciliation of operating surplus to net cash inflow from operating activities

	1998 £m	1997 £m
Operating surplus	10.6	65.7
Profit of associates less dividends received	0.2	–
Depreciation and amortisation	134.4	169.8
Loss on disposal of tangible fixed assets	21.1	9.5
(Increase)/decrease in stocks	(14.0)	2.4
Increase in debtors	(68.9)	(32.8)
Increase in creditors	114.4	68.9
(Decrease)/increase in provisions	(12.7)	40.3
Provision for diminution in value of investments	0.8	0.1
Net cash inflow from operating activities	185.9	323.9

Included within the operating surplus above is a charge of £25.5m (1996/97 £81.7m) for restructuring. The cash flows relating to restructuring are shown below:

	1998 £m	1997 £m
Restructuring charge	(25.5)	(81.7)
(Decrease)/ increase in creditors	(1.8)	4.4
(Decrease)/ increase in provisions	(15.3)	27.1
Cash outflow from restructuring	(42.6)	(50.2)

17 Reconciliation of net cash flow to movement in net funds

	1998 £m	1997 £m
Increase/(decrease) in cash in the year	20.5	(87.4)
Net cash (outflow)/inflow from management of liquid resources	(17.6)	483.9
Change in net funds	2.9	396.5
Net funds at the beginning of the year	459.5	63.0
Net funds at the end of the year	462.4	459.5

18 Analysis of changes in net funds

	At 1 April 1997 £m	Cash flows £m	At 31 March 1998 £m
Cash at bank and in hand (excluding deposits not repayable on demand)	(39.4)	20.5	(18.9)
Short-term investments	293.8	118.9	412.7
Deposits not repayable on demand	205.1	(136.5)	68.6
	498.9	(17.6)	481.3
	459.5	2.9	462.4

The Home Services Group cash at bank and in hand of £49.7m (1997 £165.7m) shown in the balance sheet includes deposits not repayable on demand of £68.6m (1997 £205.1m).

19 Purchase of subsidiary undertakings

During the year the Home Services Group acquired the following subsidiary undertakings; ECM, Audio International Limited and Galleon Limited. The following table sets out the net assets acquired. There were no significant fair value adjustments to the net assets acquired.

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

20 Commitments

20a Purchases

	Group 1998 £m	Group 1997 £m	Home Services 1998 £m	Home Services 1997 £m
Contracted but not provided:				
Fixed asset additions	53.3	34.7	51.9	34.7
Programme acquisition and sports rights	313.1	340.4	308.4	338.1
Independent programmes	18.4	51.9	18.4	51.9
	384.8	427.0	378.7	424.7

20b 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.

20c Operating leases

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

	Land and buildings 1998 £m	Land and buildings 1997 £m	Other 1998 £m	Other 1997 £m
Group				
Within one year	0.4	4.6	1.1	3.1
In two to five years	1.7	0.9	7.3	14.8
After five years	14.9	6.8	6.4	0.2
	17.0	12.3	14.8	18.1
Home Services				
Within one year	0.4	4.6	0.8	2.8
In two to five years	1.5	0.9	5.1	13.9
After five years	14.3	6.2	0.2	0.2
	16.2	11.7	6.1	16.9

21 Contingent liabilities

At 31 March 1998 the Home Services Group had unprovided contingent liabilities estimated to be £8.4m (1997 £7.5m) in respect of guarantees and indemnities.

The Home Services Group also has a number of contingent liabilities arising from litigation. The BBC makes specific provision against an estimate of any damages and costs which may be awarded.

22 Related party transactions

The related party transactions of the Home Services Group have been presented in accordance with Financial Reporting Standard 8, Related Party Disclosures.

22a Transactions with associated undertakings

Included in the income and expenditure account is income from ECM of £9.1m relating to licence fees paid for the distribution of BBC Worldwide Limited's television channels, BBC World and BBC Prime. Also included is income from UKTV, Animal Planet LLC and People and Arts LLC of £20.7m relating to the sale of programmes. In addition, Frontline Limited charged £5.4m for the distribution of BBC Worldwide's magazines. In all transactions, the terms of trade were negotiated on an arm's length basis.

Amounts owed by/(to) associated undertakings at the year end are disclosed within notes 12 and 13.

22b Other

During the year the Home Services charged the World Service net costs of £127.1m. This comprised recharges in respect of operating costs of £109.0m and capital costs of £18.1m.

At the year end the Home Services Group owed the World Service an amount of £2.6m.

The Home Services recharges the BBC Pension Scheme with the costs of administration and independent advisers borne by the BBC. The total amount recharged in the year was £1.9m.

23 Other transactions

Sir Christopher Bland, the Chairman of the BBC, is a minority shareholder and Chairman of NFC plc. NFC plc owns Exel Logistics Limited which has a distribution contract with BBC Worldwide Limited which was entered into before Sir Christopher Bland became the Chairman of the BBC. Throughout the year Exel Logistics Limited has traded with BBC Worldwide Limited under the same terms as those available to other customers in the ordinary course of business. Amounts paid to Exel Logistics Limited during the year amounted to £2.8m of which £0.2m was outstanding at the year end.

24 Post balance sheet events

On 28 May 1998 BBC Worldwide sold 1.6m shares in Flextech plc realising a profit of £8.4m.

World Service

Statement of Income and Expenditure for the year ended 31 March

	Note	1998 £m	1997 £m
Grants-in-Aid		156.8	174.6
Other income		20.3	11.6
Total income	1	177.1	186.2
Operating expenditure		(184.6)	(179.4)
Operating (deficit)/surplus	1,2a	(7.5)	6.8
Sale of transmission business	2b	-	(13.4)
Deficit before interest and taxation	1-3	(7.5)	(6.6)
Interest		0.6	0.3
Deficit before taxation		(6.9)	(6.3)
Taxation	4	(0.3)	(0.6)
Deficit for the financial year	11	(7.2)	(6.9)
Transfer to HM Treasury	2b	-	(16.7)
Transfer from/(to) capital reserve:			
Sale of transmission business	2b	-	29.6
Other	11	3.3	(1.2)
(Deficit)/surplus for the year transferred to operating reserve	11	(3.9)	4.8

The above results are derived from continuing operations.

Balance Sheet at 31 March

	Note	1998 £m	1997 £m
Fixed assets			
Tangible fixed assets	5	121.5	125.6
Current assets			
Stocks	7	0.6	0.7
Current debtors	8	12.7	14.3
Long term debtors	8	2.7	2.9
Cash at bank and in hand		1.6	1.9
		17.6	19.8
Creditors – amounts falling due within one year	9	(8.7)	(12.3)
Net current assets		8.9	7.5
Total assets less current liabilities		130.4	133.1
Provision for liabilities & charges	10	(4.5)	–
Net assets		125.9	133.1
Represented by			
Capital reserve	11	111.9	115.2
Revaluation reserve	11	9.6	10.4
Operating reserve	11	4.4	7.5
		125.9	133.1

The financial statements were approved by the Governors and Executive Committee on 25 June 1998 and signed on their behalf by:

Sir Christopher Bland

Chairman of the BBC

Sir John Birt

Director-General

John Smith

Director of Finance

World Service

Statement of Total Recognised Gains and Losses for the year ended 31 March

	1998 £m	1997 £m
Deficit for the financial year	(7.2)	(6.9)
Surplus on revaluation of tangible fixed assets	-	10.5
Total recognised gains and losses relating to the year	(7.2)	3.6

Note of Historical Cost (Deficits)/Surpluses for the year ended 31 March

	Note	1998 £m	1997 £m
Deficit before taxation		(6.9)	(6.3)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on revalued assets	11	0.8	0.1
Historical cost deficit before taxation		(6.1)	(6.2)
Historical cost deficit for the financial year		(6.4)	(6.8)

Reconciliation of Movement in Net Assets for the year ended 31 March

	1998 £m	1997 £m
Deficit for the financial year	(7.2)	(6.9)
Other recognised gains relating to the year	-	10.5
Transfer to HM Treasury	-	(16.7)
Decrease in net assets	(7.2)	(13.1)
Opening net assets	133.1	146.2
Closing net assets	125.9	133.1

Cash Flow Statement for the year ended 31 March

	Note	1998 £m	1997 £m
Net cash inflow from operating activities	12	11.8	21.6
Return on investments and servicing of finance			
Interest received		0.6	0.3
Taxation			
Taxation paid		(0.5)	(0.6)
Capital expenditure			
Purchase of tangible fixed assets		(12.2)	(21.5)
Decrease in cash	13,14	(0.3)	(0.2)

I Operating (deficit)/surplus by nature of activity

1998	Broadcasting £m	Monitoring £m	Total £m
Grants-in-Aid	156.5	0.3	156.8
Other income	5.5	14.8	20.3
Total income	162.0	15.1	177.1
Operating expenditure	(171.7)	(12.9)	(184.6)
Operating (deficit)/surplus	(9.7)	2.2	(7.5)

1997	Broadcasting £m	Monitoring £m	Total £m
Grants-in-Aid	155.5	19.1	174.6
Other income	11.3	0.3	11.6
Total income	166.8	19.4	186.2
Operating expenditure	(162.3)	(17.1)	(179.4)
Operating surplus	4.5	2.3	6.8

The Broadcasting arm of the World Service provides radio services in English and 43 other languages. Monitoring reports on and monitors the output of international media.

Other income is derived primarily from subscriptions to Monitoring, which have replaced Grants-in-Aid, and for Broadcasting from programme sales and magazine revenues.

Monitoring's charges to its customers include a return on capital employed. Specific authority is required from Monitoring's stakeholders before this element of income can be spent and at 31 March 1998 a balance of £1.2m is held in cash, pending such authorisation.

2 Operating (deficit)/surplus

2a Operating (deficit)/surplus is stated after charging/(crediting) the following items:

	1998 £m	1997 £m
Payments under operating leases:		
Land and buildings	7.4	7.5
Other	-	0.2
Depreciation	16.5	18.7
Restructuring costs	2.5	5.3
Own work capitalised	(0.1)	(2.5)
Amounts written off fixed assets	-	0.5

Operating expenditure includes £0.05m (1996/97 £0.04m) in respect of auditors' remuneration. In addition, £0.3m of non audit fees were paid to the auditors in the year (1996/97 £0.2m).

2b Sale of transmission business

	1998 £m	1997 £m
Net sale proceeds	-	16.7
Less net assets disposed of:		
Tangible fixed assets (historic cost)	-	(29.6)
Net current assets	-	(0.5)
Net sale proceeds less depreciated historic cost of transmission assets sold	-	(13.4)
Net sale proceeds	-	16.7
Cash consideration directly remitted to HM Treasury	-	(16.7)
Net cash effect	-	-

On 27 March 1997 World Service disposed of its transmission business to Merlin Communications International Limited ('Merlin'), in a management and employee buyout. The disposal followed a competitive tendering process during which bids were received from a number of shortlisted parties. The sale was carried out in full consultation with the Foreign and Commonwealth Office and HM Treasury.

3 Employees and remuneration

3a Persons employed

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

	Average for the year		At 31 March	
	1998 Number	1997 Number	1998 Number	1997 Number
Broadcasting	1,065	2,083	1,059	1,858
Monitoring	436	461	436	431
Other Activities (including self-funding)	25	164	21	146
	1,526	2,708	1,516	2,435

Within the averages above, 168 (1996/97 185) part-time employees have been included at their full-time equivalent of 94 (1996/97 109).

In addition to the above, the World Service employed an average full-time equivalent of 84 (1996/97 111) persons on a casual basis. Their payroll costs are included in note 3b below.

Broadcasting staff numbers reduced at the beginning of the year following transfers to the Home Services as a result of BBC restructuring and to Merlin following the transmission sale.

3b Staff costs

	1998 £m	1997 £m
Salaries and wages (excluding redundancy payments)	48.9	74.5
Social security costs	4.1	6.2
Other pension costs	1.9	2.4
	54.9	83.1

Staff costs in relation to staff employed on self-funding activities are excluded from the analysis above as these are fully recovered from third parties.

3c Pensions

Most World Service employees are members of the BBC Pension Scheme, the principal scheme of the BBC. The funding of the scheme is described in note 4c to the Home Services Group financial statements. In the World Service an amount of £2.7m (1997 £2.9m) is included in prepayments, representing the cumulative net excess contributions to the pension fund. The pension charge for the World Service for the year was £1.9m (1996/97 £2.4m).

Notes to the Financial Statements (continued)

3d Governors and Executive Committee

The remuneration of the Governors and members of the Executive Committee is charged to the Home Service with the exception of Sam Younger whose remuneration is charged to the World Service. Disclosure of remuneration, including Sam Younger, is included in notes 4d and 4e to the Home Services Groups' financial statements.

4 Taxation

The World Service taxation charge is based on profits derived from rent and interest receivable. The charge for the year, based on a rate of corporation tax of 31% (1996/97 33%), comprised:

	1998 £m	1997 £m
Current year:		
Corporation tax	0.3	0.6
Prior year:		
Corporation tax	-	-
	0.3	0.6

5 Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets in the course of construction £m	Total £m
Cost or valuation					
At 1 April 1997	54.0	86.0	2.2	15.4	157.6
Additions	0.4	2.9	0.1	9.0	12.4
Brought into service	2.4	6.7	0.7	(9.8)	-
At 31 March 1998	56.8	95.6	3.0	14.6	170.0
Depreciation					
At 1 April 1997	17.8	13.4	0.8	-	32.0
Charge for the year	3.4	12.5	0.6	-	16.5
At 31 March 1998	21.2	25.9	1.4	-	48.5
Net book value					
At 31 March 1998	35.6	69.7	1.6	14.6	121.5
At 31 March 1997	36.2	72.6	1.4	15.4	125.6

World Services' plant and machinery and furniture and fittings were revalued at 1 April 1996 based on the estimated current replacement cost of the assets, adjusted for service potential. The revaluation was undertaken by the BBC's engineers and Messrs Frank G. Bowen Limited, external valuers.

Historical cost basis

The net book value of tangible fixed assets included in the above table determined on an historical cost basis is as follows:

	Plant and machinery 1998 £m	Plant and machinery 1997 £m	Furniture and fittings 1998 £m	Furniture and fittings 1997 £m
Cost	150.3	140.7	5.7	4.9
Depreciation	90.2	78.5	4.1	3.5
Net book value	60.1	62.2	1.6	1.4

Included within fixed assets is £23.8m at cost relating to a relay station in Thailand. The station is now operational and these assets are transferable to the Royal Thai Government for the payment of a nominal sum. The BBC retains the rights to repurchase the assets, should the operation cease, for a similar nominal sum. World Service's use of these assets is not affected by this transaction and so they will continue to be carried at cost less attributable depreciation.

Land and buildings at net book value comprise:

	1998 £m	1997 £m
Freeholds	16.2	16.2
Short leaseholds	19.4	20.0
	35.6	36.2

Land and buildings include freehold land at a cost of £4.2m (1997 £3.9m) which is not depreciated.

6 Investments

Included in fixed assets are the following investments at nominal value:

	Holding of issued ordinary shares %
Subsidiaries	
BBC East Asia Relay Company Limited (incorporated in Hong Kong)	100
BBC Radiocom (Bulgaria) OLLC (incorporated in Bulgaria)	100
BBC Radiocom (Hungary) Limited (incorporated in Hungary)	100
BBC Radiocom (Romania) SRL (incorporated in Romania)	100
BBC Radiocom (Slovakia) Limited (incorporated in the Slovak Republic)	100
BBC Radiocom (Praha) Sro (incorporated in the Czech Republic)	100
BBC Polska SP Zoo (incorporated in Poland)	100
BBC World Service Training Trust	100
Associates	
Caribbean Relay Company Limited (incorporated in Antigua)	45
Multimedia Ventures Limited (incorporated in Great Britain)	50

7 Stocks

	1998 £m	1997 £m
Raw materials	0.2	0.3
Work in progress – programmes	0.4	0.4
	0.6	0.7

8 Debtors

	1998 £m	1997 £m
Receivable within one year		
Trade debtors	7.0	6.5
Amounts owed by Home Services Group	2.6	3.0
Amounts owed by associated undertakings	0.1	0.4
VAT recoverable	0.3	0.5
Other debtors	1.4	1.2
Prepayments	1.3	2.7
	12.7	14.3
Receivable after more than one year		
Prepaid pension contributions	2.7	2.9
	15.4	17.2

9 Creditors

	1998 £m	1997 £m
Amounts falling due within one year		
Trade creditors		
Programme creditors	0.2	0.9
Salaries and wages	1.4	1.2
Other trade creditors	3.0	4.8
	4.6	6.9
Other creditors		
Fixed asset creditors	0.7	0.5
Corporation tax	0.5	0.7
Other	2.9	4.2
	4.1	5.4
	8.7	12.3

10 Provisions for liabilities and charges

A liability to restore Bush House to its original condition will crystallise if the lease is not renewed on its expiry in March 2005, or on any earlier vacation of the property. A provision of £4.5m has been charged this year. This provision will be reviewed and adjusted as necessary over the remaining period of the lease.

11 Reserves

	Capital reserve £m	Revaluation reserve £m	Operating reserve £m	Total £m
At 1 April 1997	115.2	10.4	7.5	133.1
Deficit for the financial year	–	–	(7.2)	(7.2)
Revaluation reserve transfer	–	(0.8)	0.8	–
Capital reserve transfer	(3.3)	–	3.3	–
At 31 March 1998	111.9	9.6	4.4	125.9

12 Reconciliation of operating (deficit)/surplus to net cash inflow from operating activities

	1998 £m	1997 £m
Operating (deficit)/surplus	(7.5)	6.8
Amounts written off fixed assets	–	0.5
Depreciation	16.5	18.7
Decrease in stocks	0.1	0.2
Decrease/(increase) in debtors	1.8	(4.3)
Decrease in creditors	(3.6)	(0.3)
Increase in provision for liabilities and charges	4.5	–
Net cash inflow from operating activities	11.8	21.6

13 Reconciliation of net funds

	1998 £m	1997 £m
Decrease in cash in the year	(0.3)	(0.2)
Change in net funds	(0.3)	(0.2)
Net funds at the beginning of the year	1.9	2.1
Net funds at the end of the year	1.6	1.9

14 Analysis of changes in net funds

	At 1 April 1997 £m	Cash flows £m	At 31 March 1998 £m
Net funds	1.9	(0.3)	1.6

15 Commitments

15a Purchases

	1998 £m	1997 £m
Contracted but not provided:		
Fixed asset additions	4.2	2.3

15b Other financial commitments

World Service has entered into contracts with Merlin Communications International Limited for a minimum period of ten years commencing March 1997 for the provision of transmission services. The charge for the first full year of the contract commencing 1 April 1997 was £31.5m. Charges for subsequent years will be reduced by cost savings set out in the contract, adjusted for inflation and volume change.

15c Operating leases

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

	Land and buildings 1998 £m	Land and buildings 1997 £m	Other 1998 £m	Other 1997 £m
Within one year	0.1	0.1	–	–
In two to five years	0.1	0.1	–	0.2
After five years	7.3	7.2	–	–
	7.5	7.4	–	0.2

16 Related party transactions

The related party transactions of the World Service have been presented in accordance with Financial Reporting Standard 8, Related Party Disclosures.

Transactions between the World Service and the Caribbean Relay Company Limited for the year ended 31 March 1998 amounted to £0.7m. At 31 March 1998 the Caribbean Relay Company Limited owed the World Service an amount of £0.2m.

At 31 March 1998 Ascension Island Services owed the World Service £0.5m being the net of payments and receipts processed on their behalf.

At 31 March 1998 MediaWorld Services Limited owed the World Service £0.1m as a result of services provided.

During the year ended 31 March 1998 World Service had no transactions with key management.

Transactions between the Home Services Group and the World Service are disclosed in note 22 to the Home Services Group financial statements.

Facts and Figures

Index

- 1 Overall BBC reach
- 2 Combined television and radio reach by genre
- 3 15 minute weekly reach by service
- 4 Comparative price per hour of viewing and listening
- 5 Costs per hour of originated programmes
- 6 Range of peak time UK-made programmes
- 7 Network television output analysis
- 8 Subtitled output
- 9 Network radio output analysis
- 10 Television hours of output
- 11 Radio hours of output
- 12 Regional Broadcasting spend
- 13 Local Radio hours of transmission
- 14 Letters and telephone calls of complaint
- 15 Open meetings and BBC Weeks
- 16 Environment
- 17 BBC Worldwide trails
- 18 Overheads – corporate management and governance
- 19 Spending on major areas of creative talent
- 20 Spending on external providers of programmes and resources
- 21 Proportion of women in management
- 22 Proportion of ethnic minorities in management

1

Overall BBC reach

Estimated proportion of all UK households viewing and listening to at least two hours of programming per week.

	97/98	96/97
	%	%
	94	95

Source: BARB, RAJAR

2

Combined television and radio reach by genre

	97/98	96/97
	%	%
Arts/music	50	55
Current affairs	29	37
Documentary/features	87	91
Drama (non-soap)	70	82
Drama (soaps)	57	65
Films	32	33
Comedy	72	85
Other light entertainment	83	91
National news	60	70
Regional news	39	47
Sport	39	52

Note: Based on respondents giving opinion on programmes. Reach based on at least one programme response in the course of a week.

Source: BARB Audience Research Service

3

15 minute weekly reach by service

	97/98	96/97
	%	%
Television		
BBC ONE	89.4	90.5
BBC TWO	72.9	74.4

	%	%
Radio		
Radio 1	19.7	22.2
Radio 2	16.3	16.3
Radio 3	4.6	4.7
Radio 4	15.4	15.3
Radio 5 Live	9.8	9.7
BBC Local/Regional	16.3	16.8

Source: BARB/RAJAR

4

Comparative price per hour of viewing/listening to the licence payer

	97/98	96/97
BBC viewing	5.5p	5.0p
BBC listening	2.5p	2.5p
All BBC	4.3p	4.0p
Sky multichannels	19p	19p
All cable & satellite	20p	20p
Video hire	60p	57p

Source: BARB, RAJAR, BBC Corporate Strategy estimates

Note: 1996/97 figures restated to include year end data. Cost per hour in pence.

5

Cost per hour of originated programmes

	97/98	96/97
	£'000	£'000
Channels		
BBC ONE	120	111 ¹
BBC TWO	80	86 ¹
BBC News 24	5²	–

Television programme type

Drama	498	468
Entertainment	216	204
Sport	75	70
Factual	123	124
Children's	91	103 ¹
Music & arts	100	106
Daytime	37	37
News programmes	79	83 ¹
Daily NCA programmes	43	41 ¹
Current affairs	154	179 ¹
Political programmes	39	36 ¹
Business programmes	25	27 ¹
Schools	139	136
Continuing education	111	117

Radio stations

Radio 1	2.7	2.7
Radio 2	3.4	3.5
Radio 3	5.2	5.4
Radio 4	10.2	10.0 ¹
Radio 5 Live	5.3	5.3 ¹

Notes:

¹1996/97 restated because of programme reclassification and revised overhead allocation.

²BBC News 24 launched this year. Estimated cost per hour.

6

Range of peak time UK-made programmes

Number of UK-produced genres shown for at least half an hour during peak time in a typical week (including repeats)

Type	ALL BBC	ITV/ C4/C5	BBC ONE	ITV	BBC TWO	C4	C5
Single plays		*					
Drama series	*	*	*	*		*	
UK-originated serials	*	*	*	*	*		
Long running serials	*	*	*	*		*	*
UK sitcoms	*	*	*		*		
Other comedy	*	*			*		
Variety		*				*	
Quiz/panel games	*	*	*	*	*	*	*
Family/people shows	*	*	*	*		*	*
Sport	*	*	*	*	*	*	*
National news	*	*	*	*	*	*	*
Regional news	*	*	*	*		*	*
Current affairs	*	*	*	*	*	*	*
Consumer affairs	*	*	*	*	*	*	*
Arts	*				*		*
Hobbies/leisure	*	*	*	*	*	*	*
Natural history	*	*	*	*	*	*	*
Science/medical	*	*	*	*	*	*	*
Human interest	*	*	*	*	*	*	*
Religious	*		*				
Music – contemporary	*						
Music – classical	*				*		
Special events							
Total 1997/98	20	18	14	10	13	10	8
Total 1996/97	20	17	14	10	13	11	

Source: BARB

7

Network television output analysis

Hours of output

General programmes	BBC ONE 97/98	BBC ONE 97/98 Excl repeats	BBC ONE 96/97	BBC TWO 97/98	BBC TWO 97/98 Excl repeats	BBC TWO 96/97
Features & documentaries	1,104	1,010	950	888	581	821
Current affairs	156	156	133	175	174	166
Sport	506	475	667	815	791	774
Light entertainment	663	473	642	484	354	374
Children's	456	333	386	424	152	361
Drama	357	252	352	101	63	86
Religion	105	98	106	7	6	16
Music & arts	34	34	25	184	166	169
Weather	54	54	53	26	26	25
Sub-total	3,436	2,886	3,314	3,103	2,312	2,793
Continuing education	56	50	91	231	164	123
Schools	0		0	435	68	561
Sub-total	3,492	2,936	3,405	3,769	2,544	3,477
News and daily news related programmes	1,953	1,953	1,316	435	435	424
Parliamentary broadcasting*	7	7	4	128	126	131
Sub-total	5,451	4,895	4,725	4,332	3,104	4,031
Acquired programmes	1,912	525	2,089	1,883	562	2,043
Sub-total	7,363	5,420	6,814	6,215	3,667	6,074
Continuity	249	248	218	295	294	289
Open University	0	0	0	782	202	882
Night-time education	0	0	0	972	191	936
Total	7,611	5,669	7,032	8,264	4,354	8,180

*1996/97 data restated to reflect reclassification of parliamentary programmes.

8

Subtitled output

	97/98 hours	96/97 hours
BBC Television	9,575	7,750
Average BBC Television output	50%	38%
Target for end 1997/98	50%	

Note: The 1997/98 subtitling target was based on a forecast for total BBC output for 1996/97 of 19,250 hours. The actual total was 21,144 hours.

9

Network radio output analysis

Hours of output

	Radio 1		Radio 2		Radio 3		Radio 4		Radio 5 Live		Totals	
	97/98	96/97	97/98	96/97	97/98	96/97	97/98	96/97	97/98	96/97	97/98	96/97
Arts	0	0	244	301	334	397	629	540	44	42	1,251	1,280
Comedy & light entertainment	27	39	133	143	19	9	318	367	171	197	668	755
Drama	0	4	17	24	109	114	1,048	1,087	0	0	1,174	1,229
Knowledge building	6	15	104	100	124	98	1,782	1,760	382	370	2,398	2,343
Leisure	10	0	54	46	0	0	120	115	0	0	184	161
Music	8,218	8,199	7,056	6,954	7,729	7,442	1	0	0	0	23,004	22,595
National debate	4	0	238	323	12	4	555	601	307	374	1,116	1,302
Religion	0	0	186	187	104	102	228	264	0	0	518	553
Sport	38	38	0	0	0	0	469	435	1,893	2,046	2,400	2,519
Multicultural	0	0	0	0	0	0	6	6	0	0	6	6
Presentation & trailing	64	67	211	203	128	154	122	135	155	150	680	709
News	389	398	506	470	23	27	2,281	2,218	5,683	5,472	8,882	8,585
Schools	4	0	11	9	178	213	72	72	125	109	390	403
Total	8,760	8,760	8,760	8,760	8,760	8,560	7,631	7,600	8,760	8,760	42,671	42,440
Open University	0	0	0	0	0	51	66	52	0	0	66	103
Total	8,760	8,760	8,760	8,760	8,760	8,611	7,697	7,652	8,760	8,760	42,737	42,543

10

Television hours of output

All figures in hours. Data rounded to nearest whole number.

First transmissions

	London	England (excl London)	Northern Ireland	Scotland	Wales	Total 97/98	Total 96/97
Originated programmes							
Network service							
Drama, light entertainment, music and arts	857	356	10	86	32	1,342	1,233
Sport	1,266	0	0	0	0	1,266	1,429
Education, features, documentaries and religion	1,052	762	0	152	11	1,977	1,772
News	2,454	1	0	6	6	2,468	1,738
Current affairs	324	6	0	0	0	330	375
Parliamentary broadcasting*	132	0	0	0	0	132	134
Children's	310	104	0	71	0	485	425
Sub-Total	6,397	1,228	11	315	49	8,000	7,106
Regional service							
Drama, light entertainment, music and arts	0	0	45	26	37	108	112
Sport and leisure	0	0	43	200	190	433	466
Education, features, documentaries and religion	0	36	58	83	58	235	211
News	0	2,705	284	318	296	3,603	3,482
Current affairs	0	92	39	43	14	188	203
Parliamentary broadcasting*	0	149	0	16	18	183	197
Children's	0	0	0	19	0	19	16
Sub-Total	0	2,982	469	705	613	4,769	4,687
Of which independents							
Network	1,012	357	10	212	8	1,599	1,447
Regional	0	51	34	83	86	254	230
Acquired programmes							
Network	1,068	19	0	0	0	1,088	1,584
Regional	0	0	0	0	2	2	0
Total first transmissions							
Network	7,466	1,247	11	315	49	9,088	8,691
Regional service only	0	2,982	469	705	615	4,771	4,687
Repeats (all sources)							
Network	4,065	341	29	41	14	4,489	4,196
Regional service only	0	0	53	71	6	130	117
Total hours of broadcasting							
Network	11,530	1,588	39	356	62	13,577	12,887
Regional service only	0	2,982	522	776	621	4,901	4,804
Continuity							
Network	544	0	0	0	0	544	507
Regional service only	0	21	107	109	130	367	288
Night-time education	952	20	0	0	0	972	936
Open University	782	0	0	0	0	782	882
Total	13,809	4,612	668	1,241	813	21,144	20,304
of which:							
Regions						5,268	5,092
Open University						782	882
Network						15,094	14,330
Total						21,144	20,304

Note: *Includes reclassification of parliamentary programmes.

11

Radio hours of output

All figures in hours

	Network programmes					Total Live Network	Regional Service	Local Radio	Total 97/98	Total 96/97
	Radio 1	Radio 2	Radio 3	Radio 4	Radio 5					
Programmes produced in London	8,315	5,832	6,857	6,159	8,446	35,609	0	0	35,609	34,857
Programmes produced in the regions										
England – excluding London	443	2,717	1,049	1,257	193	5,659	0	0	5,659	6,018
Northern Ireland	0	53	167	47	7	274	5,461	0	5,735	6,269
Scotland	0	135	333	94	107	669	6,476	0	7,145	7,408
Wales	2	23	354	74	7	460	12,418	0	12,878	12,552
Community stations	0	0	0	0	0	0	5,455	0	5,455	4,218
Total programmes produced in the regions	445	2,928	1,903	1,472	314	7,062	29,810	0	36,872	36,465
Total programmes produced in London and the Regions	8,760	8,760	8,760	7,631	8,760	42,671	29,810	0	72,481	71,322
Local Radio	0	0	0	0	0	0	0	216,679	216,679	220,998
Open University	0	0	0	66	0	66	0	0	66	103
Total hours of broadcasting	8,760	8,760	8,760	7,697	8,760	42,737	29,810	216,679	289,226	292,423

12

Regional Broadcasting spend

Cost of regional television originations

	97/98 £m	96/97 £m
England (outside London)	67	67
Scotland	22	22
Wales	16	15
Northern Ireland	15	15

By genre

	97/98 £m	96/97 £m
Drama, comedy, music and arts	10	9
Daily and weekly news and current affairs	87	88
Sport and leisure	9	9
Education, factual and religion	13	12
Children's	1	1

Cost of regional deliveries to the networks

	97/98 £m	96/97 £m
Television and Radio	122	142
England (outside London)	26	31
Scotland	14	11
Northern Ireland	14	9

13

Local Radio hours of transmission

Station	Major Frequencies		97/98 hours	96/97 hours
	FM	AM		
Berkshire*			–	119
Bristol (inc. Somerset Sound)	94.9, 95.5, 104.6	1323, 1548	8,599	8,847
Cambridgeshire	95.7, 96.0	1026, 1449	5,679	5,444
Cleveland	95.0, 95.8		5,112	5,044
Cornwall	95.2, 96.0, 103.9	630, 657	5,708	5,711
Cumbria	95.2, 95.6, 96.1, 104.1, 104.2	756, 837, 1458	5,238	5,334
Derby	95.3, 104.5	1116	5,232	5,851
Devon (excl. Dorset from April '96)	94.8, 95.8, 96.0, 103.4	801, 855, 990, 1458	5,590	5,960
Essex	95.3, 103.5	729, 765, 1530	5,383	5,534
Gloucestershire	95.0, 95.8, 104.7	1413	5,443	5,436
GLR	94.9		7,145	7,160
GMR	95.1, 104.6		5,683	5,656
Guernsey	93.2	1116	3,152	3,100
Hereford and Worcester	94.7, 104.0, 104.6	738	5,597	5,491
Humberside	95.9	1485	5,096	5,322
Jersey	88.8	1026	4,022	3,870
Kent	96.7, 97.6, 104.2	774, 1602	5,214	6,668
Lancashire	95.5, 103.9, 104.5	855, 1557	5,951	5,953
Leeds	92.4, 95.3, 102.7, 103.9	774	6,576	6,508
Leicester	104.9		5,202	11,324
Lincolnshire	94.9, 104.7	1368	5,061	5,288
Merseyside	95.8	1485	5,861	5,976
Newcastle	95.4, 96.0, 103.7, 104.4	1458	6,256	6,268
Norfolk	95.1, 104.4	855, 873	5,899	5,828
Northampton	103.6, 104.2		5,929	6,120
Nottingham	95.5, 103.8	1584	5,884	6,207
Sheffield	88.6, 94.7, 104.1	1035	5,656	5,604
Shropshire	95.0, 96.0	1584	5,165	5,191
Solent (incl. Dorset from April '96)	96.1, 103.8	999, 1359	7,404	7,537
Southern Counties Radio ****	See below		6,186	6,989
Stoke	94.6, 104.1	1503	5,255	5,188
Suffolk	95.5, 103.9, 104.6		5,302	5,266
Thames Valley*	94.6, 95.2, 95.4, 104.1, 104.4		6,056	7,147
Three Counties Radio	95.5, 103.8, 104.5	630, 1161	6,336	6,210
Wiltshire Sound	103.5, 103.6, 104.3, 104.9	1332, 1368	5,879	5,871
WM***	94.8, 95.6, 103.7, 104.0		8,990	10,818
York	95.5, 103.7, 104.3	666, 1260	5,177	5,158
			207,918	220,998
Ethnic Services				
Asian Network**		828, 837, 1458	8,761	–
Total			216,679	220,998

Notes:

*Berkshire merged with Oxford in 1996/97 to form Thames Valley

**The Asian Network was incorporated in Radio Leicester and Radio WM in prior years

***Coventry and Warwickshire included in WM from 1995/96

****Transmitted on:

	FM	AM
Surrey & North Sussex	104.0, 104.6	1368
Brighton area	95.3	1485
East & West Sussex	95.0, 95.1, 104.5, 104.8	1161

14

Letters and telephone calls of complaint

In 1997/98 Viewer and Listener Information received 713,825 telephone calls and 107,603 items of correspondence. We replied to 93% of these within the ten working day target, compared with our promised target of 90%.

15

Open meetings and BBC Weeks

During 1997/98 over 26,000 members of the public participated in a wide range of accountability events across the country, meeting senior managers and programme makers.

Three special BBC 75 Weeks on the Road were held in Tayside and Fife, Pembrokeshire and in the West Country – with a mix of programme making and outreach events involving 14,000 people 'face to face' and a further 46 million through transmission of programmes during the weeks.

Public events, organised for the BBC *Listens* strategy, were attended by over 2,500 people – including listening to young people about political coverage; teachers, parents and children about programmes for schools; special interest groups about Radio 4; and representatives from many faiths during BBC Religion's Week in County Durham about religious programmes.

16

Environment

Over the last year the BBC has carried out an extensive awareness campaign under the title 'Watts On?' This has involved Roadshows to BBC Regional Centres and London which included training of energy co-ordinators and informative displays in an aim to increase energy efficiency.

In other work, environmental performance has been one of the major issues considered in an extensive review of the BBC property portfolio. Energy efficiency, environmental impact, availability of daylight and fresh air; recycling potential and easy access to public transport have been key criteria in an analysis of each building's future development potential and requirements.

During 1997 the BBC has achieved 95% of all photocopier letterhead paper conforming to the European Commission environmental standards. In addition almost 90% of all other paper stationery products meet the same environmental criteria.

17

BBC Worldwide trails

The BBC's undertakings with the Office of Fair Trading (OFT) in relation to on-air minutage promoting BBC magazines commits us not to exceed more than seven minutes of trails in aggregate across a seven day period. This restriction applies only to BBC Magazines. The BBC, however, voluntarily applies the spirit of the undertaking to all BBC Worldwide products. During 1997/98 the weekly total for all BBC Worldwide products has averaged 2 minutes 52 seconds, well within the seven minute restriction imposed by the OFT.

18

Overheads – corporate management and governance (% of total operating expenditure)

	97/98	96/97
	%	%
	3.2	3.0

Notes: Corporate management includes Corporate Finance, Personnel, Policy & Planning, Corporate Affairs and Legal Adviser.

19

Spending on major areas of creative talent

	97/98	96/97
	£m	£m
Artists and contributors	157	131
Copyright (including music copyright)	62	60
House orchestras	15	14

Note: 1996/97 restated due to restructuring.

20

Spending on external providers of programmes and resources

Spending	97/98
	£m
External resource use:	
By output directorates	93
By resources	37
Total external resources	130
Total spend on independent producers	206

Note: 1996/97 data not available on comparative basis.

21

Proportion of women in management

	97/98	96/97	Target for
	Year End	Year End	the year
			2000
Senior executives	29.1%	26.7%	30%
Senior managers	32.7%	30.6%	40%
Middle management and senior professionals	36.3%	35.3%	40%

22

Proportion of ethnic minorities in management

	97/98	96/97	Target for
	Year End	Year End	the year
			2000
London Home Services ¹	7.4%	7.5%	8%
World Service (recruited in UK) ²	21.8%	11.4%	8%
Regions ³			
Scotland	1.3%	0.8%	2%
Wales	1.5%	1.3%	2%
North	3%	3.4%	4%
South	2.8%	3.5%	4.7%
Midlands & East	5.1%	5.7%	6%

Notes:

¹ Home Services: Central Directorates, Broadcast (excluding Regions) Resources (excluding Regions) News, Production

² Excludes language producers and locally recruited staff

³ Broadcast regions & Resources regions

Television Awards

BAFTA Television Awards

Best Actress

Daniela Nardini for
This Life

Best Drama Series

Jonathan Creek

Best Drama Serial

Holding On

Best Comedy

I'm Alan Partridge

Best Comedy Performance

Steve Coogan for *I'm Alan Partridge*

Best Light Entertainment

The Fast Show

Best Light Entertainment Performance

Paul Whitehouse for *The Fast Show*

Best Factual Series

The Nazis: A Warning From History

The News and Current Affairs

Journalism Award

Panorama: Valentina's Story

The Richard Dimbleby Award

David Dimbleby

The Academy Fellowship

Bill Cotton

BAFTA Cymru Awards

Best Magazine/Feature Programme Award

First Resort

Best Documentary

The Slate for The Great Escape

Best Cinematography:

Factual Prize

Visions of Snowdonia/Eryi ai Chriw

Best Graphics

Satellite City

Best Lighting Director

John Treays for the *Wales in the West End* concert

Best Sound

No Borders

Best Short Film

Pics: The Confectioner

BAFTA Craft Awards

Best Make Up/Hair

Tom Jones

Best Photography (Factual)

Wildlife Special: Polar Bear

Best Photography and Lighting

(Fiction/Entertainment)

The Woman in White

Best Costume Design

Tom Jones

Best Graphic Design

Election 97

Best Sound (Factual)

Airport

Best Sound (Fiction/Entertainment)

The Lakes

Best Editing (Factual)

The Nazis: A Warning From History

Best Editing (Fiction/Entertainment)

The Lakes

Best Design

The Woman in White

Best Original Television Music

Tom Jones

BAFTA Film Awards

Best Performance by an Actress in a Leading Role

Judi Dench for
Mrs Brown

Best Costume Design

Deirdre Clancy for
Mrs Brown

Royal Television Society Programme Awards

Drama Series

This Life
World Productions for BBC TWO

Drama Serial

Holding On

Actor Female

Sinead Cusack for *Have Your Cake and Eat It*

Regional Programme

Food for Ravens
BBC Wales

Regional Documentary

Tales From the Health Service: A Doctor's Tale
BBC Wales

Regional Presenter

Noel Thompson for *Hearts and Minds*
BBC Northern Ireland

Presenter

Jeremy Clarkson for *Top Gear*

Writer's Award

Tony Marchant for *Holding On*

Entertainment

Harry Enfield and Chums

Situation Comedy and Comedy Drama

The Vicar of Dibley

Children's Entertainment

Teletubbies

Children's Factual

Newsround Extra: Bullying

Live Event

Funeral of Diana, Princess of Wales

Documentary Series

Breaking Point

Features

Back to the Floor

Cyril Bennett Judges' Award

Michael Wearing
Head of Drama Serials

Royal Television Craft and Design Awards

Production Design (Drama)

Sarah Greenwood for *The Tenant of Wildfell Hall*

Production Design (Any other programme)

Shaun Moore for *MegaMaths*

Costume Design (Drama)

Les Lansdown for *Plotlands*

Make Up Design (Drama)

Caroline Noble for *Brazen Hussies*

Graphic Design (Titles)

Steve Burrell for *Bully*

Graphic Design (Programme Content Sequences)

Mike Afford and Ceri Kashita for the General Election

Camera (Drama, Entertainment and Events)

Daf Hobson for *The Tenant of Wildfell Hall*

Lighting (Drama)

Sean Van Hales for *Cruel Train*

Lighting (Any other programme)

Peter Morgan for *Red Dwarf*

Tape and Film Editing (Documentary and Factual)

Stuart Briggs for *Modern Times: Mange Tout*

Music (Original Score)

Richard Mitchell for *The Tenant of Wildfell Hall*

Design and Craft Innovation

Chris Terrill for *Soho Stories*

Royal Television Society Sports and Journalism Awards

Regional Sports News

Kevin Keegan's Resignation

Regional Daily News Magazine

BBC Midlands Today

News Event

The Death of Diana, Princess of Wales

Interview of the Year

Jeremy Paxman interviewing Michael Howard for *Newsnight*

Current Affairs International (Joint Award)

Correspondent: *Getting Away With Murder*
Panorama: *Valentina's Story*

Journalist of the Year

Denis Murray

Judges' Award

Peter Snow

Montreux Awards

Golden Rose of Montreux

Yo-Yo Ma: Inspired by Bach
BBC co-production

Silver Rose (Comedy)

Harry Enfield & Chums

Special Prize of the City of Montreux

Harry Enfield and Chums

Silver Rose (Sitcom)

Operation Good Guys

Silver Rose Jury Prize

Joint winner: *Operation Good Guys*

Queen's Award to Industry for Technological Achievement

Awarded jointly with Snell & Wilcox, for the development of a standards converter.

Radio Awards

Sony Radio Awards

The Event Award

Gold: The Funeral of Diana, Princess of Wales
BBC Network, Regional and Local Radio for BBC Network Radio and BBC World Service
Silver: *The Falklands, Fifteen Years On*
BBC Radio Solent
Bronze: *Glastonbury 97*
BBC Radio 1

The Daytime Award (Talk/News)

Gold: *The Nicky Campbell Show*
BBC Radio 5 Live
Silver: *The Stephen Rhodes Show*
BBC Three Counties Radio
Bronze: Mark Lamarr
BBC GLR 94.9 FM

The Weekend Award (Music)

Gold: *Parkinson's Sunday Supplement*
BBC Radio 2

The Weekend Award (Talk/News)

Gold: *The Ed Doolan Show*
BBC Radio WM
Silver: *Stark Talk*
BBC Radio Scotland
Bronze: *On Your Farm*
Rural Affairs Unit, BBC Birmingham
Network Production Department for BBC Radio 4

The Evening/Late Night Award (Talk)

Gold: *Up All Night*
BBC Radio 5 Live
Silver: *After Hours*
BBC Radio 5 Live

The Short Form Award

Silver: *Fresh Air Kids*
BBC Radio 4

The Feature Award (Music)

Gold: *The Club That Scott Built*
BBC Music Unit, Birmingham for BBC Radio 2
Joint Silver: *The Bhundu Diaries*
Leman Productions for BBC Radio Scotland
Joint Silver: *The Elvis Presley Story Part 3: Always On My Mind*
Howlett Media Productions for BBC Radio 2
Bronze: *The Thing About Harry*
Stuart Grundy Productions for Unique Broadcasting Company and BBC Radio 2

The Evening/Late Night Award (Music)

Gold: Richard Allinson
Unique Broadcasting Company for BBC Radio 2
Silver: Ross Allen
BBC GLR 94.9 FM

The Feature Award (Talk/News)

Gold: *The Coroner*
BBC Radio 4
Silver: *A Cinema Near You Part 3: Enter the Dreamhouse*
BBC Radio Derby
Bronze: *The Last Voice*
The Ulwazi Radio Project of South Africa for BBC World Service

The Drivetime Award (Talk)

Gold: *Drivetime with Tim Hubbard*
BBC Radio Cornwall
Silver: *Nationwide*
BBC Radio 5 Live

The Special Interest Music Award

Gold: *Songs of the Sufi Mystics*
BBC World Service
Silver: *Smokey Robinson's Soul Selection*
USP Radio Projects for BBC Radio 2
Joint Bronze: *Stars on 78*
BBC Radio Newcastle

The Drivetime Award (Music)

Gold: *The John Dunn Show*
BBC Music Entertainment for Radio 2
Silver: Dave Pearce
BBC Radio 1

The Comedy Award

Gold: *Blue Jam*
Talkback Productions for BBC Radio 1
Silver: *On the Town with the League of Gentlemen*
BBC Radio 4

The Daytime Award (Music)

Gold: *The Mark Radcliffe Show*
BBC Radio 1
Bronze: *Jo Whiley's Lunchtime Special*
BBC Radio 1

The Sports Award

Gold: *Wimbledon and the British Lions Test*
BBC Radio 5 Live
Bronze: *Twickenham/Wembley Weekend*
BBC Radio Cumbria

The Drama Award

Gold: *The Trick Is To Keep Breathing*
BBC Radio Scotland for BBC Radio 4
Silver: *A Town Like Alice*
BBC Radio 2
Bronze: *Just a Trim*
BBC Radio Newcastle

The Arts Award

Gold: *Designs for Living: Falling Water*
Just Radio for BBC Radio 3
Silver: *The Directors: Woody Allen*
BBC Radio 2
Bronze: *What Are They Looking At?*
BBC Radio 3

The Station Branding Award

Gold: BBC Radio 5 Live Station Branding
BBC Radio 5 Live Productions
Silver: BBC Radio 1
BBC Radio 1 Presentation Department

The Magazine Award

Gold: *Top of the Pops Radio Show*
BBC Radio 1
Silver: *Asiaffle*
BBC Radio 4
Bronze: *The Nicky Campbell Show*
BBC Radio 5 Live

The News Award

Gold: *The Death of the Princess of Wales*
BBC Radio 4 and BBC Radio 5 Live
Silver: *Carry on Doctor*
All Out Productions for Radio 5 Live
Bronze: *From Our Own Correspondent: in Africa*
BBC Radio 4

The Community Award

Gold: The 'Breast Cancer Awareness' Compilation
BBC Radio Ulster

The Breakfast Award (Talk/News)

Gold: *The Breakfast Programme*
BBC Radio 5 Live
Silver: *The Today Programme*
BBC Radio 4
Bronze: *Good Morning Ulster*
BBC Radio Ulster

The Talk/News Broadcaster Award

Silver: Robin Lustig
BBC World Service and BBC Radio 4
Bronze: Eddie Mair
BBC Radio 5 Live

1998 Station of the Year (between 1 and 12 million listeners)

Gold: BBC Radio WM

1998 Station of the Year broadcasting primarily to the UK

Gold: BBC Radio 5 Live

The DJ Award

Gold: Jo Whiley
BBC Radio 1
Silver: Chris Moyles
BBC Radio 1
Bronze: Mike Edgar
BBC Radio Ulster

The Breakfast Award (Music)

Silver: *Wake Up To Wogan*
BBC Music Entertainment for BBC Radio 2

Awards to acknowledge continuing commitment and dedication to the radio industry
Roger Bennett, BBC Radio Bristol

Piers Plowright

Cliff Morgan

Prix Italia

Knoxville: Summer of 1995
produced for *Between The Ears*, BBC Radio 3

The Voluptuous Tango
BBC Radio 3

Premios Ondas

Offspring
R4 Topical Features

Contacting the BBC

The BBC values comments, queries and criticism from the public about its programmes and policies. A daily summary of comment is circulated to hundreds of BBC managers and programme makers, offering an invaluable snap shot of audience reaction to BBC programmes and issues.

Please send your letters to:
BBC Viewer & Listener Correspondence,
Villiers House,
The Broadway,
London W5 2PA.

Help us to help you

If you are writing, please write clearly, noting the date, time and title of the programme concerned; what you liked, or what caused you offence, or the information you require. Please add a telephone number.

by telephone

Call the Information Office on
0181 743 8000
(8.00 am to midnight, seven days a week)

by e-mail

vlc@bbc.co.uk

by minicom

If you are deaf or hard of hearing, you may wish to use our minicom number: 0181 576 8988

If telephoning, please be clear. Remember others may be wishing to get through. Our staff are there to help you.

Radio and television reception advice

Please write to Engineering Information at the address below (including a daytime telephone number), or call the Helpline on 0345 010313 (office hours, calls charged at local rate).

BBC Engineering Information
Villiers House, The Broadway,
London W5 2PA
E-mail: enginfo@bbc.co.uk
www.bbc.co.uk/enginfo
For more details please refer to Ceefax page 698.

Programmes

To share your views on our television and radio programmes contact:
Feedback, PO Box 2100, London W1A 1QT
Fax: 0171 436 2800
E-mail: feedback@bbc.co.uk

Points of View, BBC Television, London
W12 7TS
Telephone: 0181 811 1050
E-mail: pov@bbc.co.uk

You can also contact your local BBC, either by writing or phoning during office hours. Please see your region's Ceefax information pages.

The BBC in Scotland, Wales and Northern Ireland

Glasgow

Broadcasting House
Queen Margaret Drive
Glasgow G12 8DG
Telephone: 0141 339 8844
(office hours: 9.30 am-9.00 pm)

Cardiff

Broadcasting House
Llandaff, Cardiff CF5 2YU
Telephone: 01222 322000
(office hours: 9.30 am-5.30 pm)

Belfast

Broadcasting House
Ormeau Avenue, Belfast BT2 8HQ
Telephone: 01232 338000
(office hours: 9.00 am-6.00 pm)

The Programme Complaints Unit

If you think that a programme on the BBC's domestic services contains a serious breach of accepted broadcasting standards, and you want it to be investigated independently of the programme makers, please write to:

The Head of Programme Complaints, Programme Complaints Unit, BBC Broadcasting House, London W1A 1AA

BBC Online

Many BBC programmes and services are now supported by complementary information, resources and links online. BBC publications, including the *Annual Report*, *Statement of Promises* and the *Producers' Guidelines*, are also available on the BBC's world wide website, which can be found at www.bbc.co.uk

Ceefax

Please write to us: The Editor, Ceefax, Room 7013, BBC TV Centre, Wood Lane, London W12 7RJ.
Fax: 0181 749 6374 E-mail: ceefax@bbc.co.uk

BBC publications

BBC Statement of Promises to Viewers and Listeners

The Statement of Promises for 1998/99 will be published in September, describing the BBC's services, standards and objectives for the year ahead. It will be available by writing to FREEPOST, BBC Promises.

The Royal Charter and The Agreement

Copies of the Royal Charter (May 1996, CM 3248, HMSO, priced £4.50) and The Agreement (January 1996, CM 3152, HMSO, priced £4.50) are available from HMSO bookshops.
The Royal Charter and The Agreement are also available on the BBC's website:
www.bbc.co.uk/info

Producers' Guidelines

The BBC has drawn up a code for programme makers called the *Producers' Guidelines*. To order a copy of the *Producers' Guidelines*, please contact: BBC Shop,
21a Arthur Street, Belfast BT1 4GA
Telephone: 01232 325672 Fax 01232 237907
(Please enclose a cheque for £7.95 made payable to 'BBC').

BBC World Service

For all requests for information, comments and queries about BBC World Service, please contact:
Audience Relations
BBC World Service
Bush House
PO Box 76
Strand
London WC2B 4PH
Telephone: 0171 257 8165
E-mail: worldservice.letters@bbc.co.uk

TV Licensing

You need a television licence to install or use any equipment to receive television programmes. This includes televisions, video recorders or satellite receivers. You need one whether you watch BBC, ITV, Channel 4, Channel 5, satellite or cable.

General enquiries: 0990 763763

Current licences

Change of address: 0990 246246
Direct Debit payment: 0990 337722
Open between 8.30 am and 10.00 pm every day

New licences

New licence applications: 0990 226666
Open between 8.30 am and 10.00 pm every day
Minicom facility for the deaf and hard of hearing:
0990 753604

Tickets to BBC shows

For free tickets to BBC radio and television programmes please write to or call:
BBC Radio Ticket Unit, Room 105,
Broadcasting House, London W1A 1AA
Telephone: 0171 765 5858
www.bbc.co.uk/tickets/

BBC Audience Services, Room 301, Design Building,
Television Centre, London W12 7RJ
Telephone: 0181 576 1227
www.bbc.co.uk/tickets/tvsvc.shtml

BBC Experience

To book tickets for the BBC Visitors' Centre in Broadcasting House, London, please call:
BBC Experience on 0870 603 0304

Further information

More information about the BBC is available on the BBC's world wide website:
www.bbc.co.uk

Designed by Addison
Printed by the Keywise Group



Published by the British Broadcasting
Corporation
Broadcasting House
London W1A 1AA
Internet address www.bbc.co.uk
© BBC 1998



Price £10.00