

**BBC World Service**

Annual Review 2001/2002

## Contents

- 1 Our aims
- 2 Chairman's introduction
- 4 Director's overview
- 7 The bigger picture
- 12 Loud and clear
- 15 At your fingertips
- 16 BBC World Service Trust
- 19 BBC Monitoring
- 20 Output and performance measures
- 24 BBC Board of Governors' Consultative Group Report
- 25 BBC World Service Management Board
- 27 Financial review
- 28 Financial statements
- 31 Statement of accounting policies
- 33 Notes to the financial statements
- 43 Reports on compliance and regulatory matters
- 52 Further information



© Katz Pictures

02.06.01

The BBC Persian service extended its morning and afternoon broadcasts, and a multimedia website was launched in the run-up to the presidential elections in Iran

## Our aims

To be the world's best known and most respected voice in international broadcasting, thereby bringing benefit to Britain

To be the world's first choice among international broadcasters for authoritative and impartial news and information, trusted for its accuracy, editorial independence and expertise

# the world's reference point

+ to be a global hub for high quality information and communication

+ projecting Britain's values of trustworthiness, openness, fair-dealing, creativity, enterprise and community

+ promoting the English language, learning and interest in a modern, contemporary Britain

+ providing a forum for the exchange of ideas across cultural, linguistic and national boundaries

+ offering a showcase for British talent across the world

# Chairman's introduction

## A beacon for independence

For so many people around the globe, the BBC is the World Service, pure and simple



I felt very strongly the importance of the World Service as a beacon for independence, impartiality, journalistic freedom, quality and public service

I was interviewed for the post of BBC Chairman on 11 September 2001, less than an hour after I heard news of the events in New York which shook the world. Two weeks later, on my first day in office, I immediately wanted to visit Bush House. A childhood in Zimbabwe and a long career as an international economist have instilled in me a fundamental appreciation of what the BBC means to people worldwide: for so many people around the globe, the BBC is the World Service, pure and simple.

On the day I took up my appointment as Chairman, I could think of no more important a place to be. The World Service was more important than ever before, and it faced enormous challenges. It has risen to meet these challenges in magnificent fashion.

While at Bush House that day I visited the Persian and Pashto teams and the main World Service newsroom, all still busy with special programming in the aftermath of the events of September 11th. I felt very strongly the importance of the World Service as a beacon for independence, impartiality, journalistic freedom, quality and public service.

The professionalism and courage of the World Service's editorial teams during this turbulent year, often in the face of bitter attack from the enemies of free speech, has ensured that high-quality news and current affairs programming has been available to a global audience of around 150 million listeners on radio and online. That this reporting has received widespread acclaim has further enhanced the World Service's profile in Britain and abroad. In a MORI survey, 92% of MPs agreed that "BBC World Service brings significant benefit to Britain," while 93% of British Ambassadors and High Commissioners believed that it "enhances Britain's image overseas." I would like to extend my gratitude and praise to all World Service staff for a year of remarkable achievement.

BBC World Service is the world's best-known and most-respected international radio broadcaster. The global audience for English broadcasts remains at last year's record level of 42 million listeners and there have been significant increases in other areas. Online usage, too, has exceeded targets almost doubling its usage in the past year.

I would like to thank the members of the Governors' Consultative Group for providing the World Service Management Board with independent, external advice on its output. The Group reported to the Board that there has been "striking evidence of the World Service's unique positioning, authority and trustworthiness in exceptional circumstances." There can be no doubt that this has been an extraordinary period in which BBC World Service consolidated its role as the world's reference point.



**Gavyn Davies**  
BBC Chairman



11.09.01

Ground Zero, New York. BBC World Service broadcast its longest news programme in its history on 11 September 2001 – more than 40 hours. Language services all provided special programmes



© Corbis Sygma

**September 11th** It's a strange sensation being that close to a terrible event yet not really believing it's actually happening. I was on the ground floor of the south tower and I felt the building shake – **Stephen Evans, BBC North America Business Correspondent**



15.11.01

The Afghanistan soap *New Home, New Life* has an enormous impact in the region. It focused its storylines on the realities of life for Afghans after 11 September



© Associated Press/© Magnum

11.03.02

Following September 11th, BBC World Service interviews included Tony Blair, Colin Powell, Dick Cheney and Mullah Omar



## Director's overview

# Building for the future in a changing world

In a year of enormous editorial challenges the World Service provided outstanding news, current affairs and analysis



The battle for radio audiences is increasingly ferocious across the world as markets deregulate and listener choice explodes

Twelve months ago the phrase from 'Ground Zero to Kabul' would have seemed meaningless. Now it sums up the most extraordinary period of activity for BBC World Service for at least a generation. In a year of enormous editorial challenges, the World Service provided outstanding news, current affairs and analysis in its coverage of the events of September 11th and its aftermath, the war in Afghanistan, the Middle East conflict, rising tensions between India and Pakistan and the presidential election in Zimbabwe.

The English network mounted its two longest ever programmes, each of more than 40 hours. The first was on 11 September itself and the second on the outbreak of bombing in Afghanistan, one month later. BBC Persian and Pashto services almost doubled output. Under the Taliban, with no television and no credible national newspapers, radio had been the main form of communication in Afghanistan and the World Service a primary source of reliable news and information for the Afghan people. Audibility to the region was enhanced by establishing a new medium wave frequency, transmitting to Afghanistan, Iran and Pakistan.

We much appreciated the extra £2.8 million provided by the Foreign and Commonwealth Office to support the immediate response to these events and to enhance services, including the extension of the Arabic news service to 24 hours and more news programming in Urdu for Pakistan.

In recognition of our response to September 11th, BBC World Service won the top Sony Radio Academy 2001 Award, the judges highlighting that the service reached "new heights" through the quality, integrity and comprehensiveness of its reporting and analysis, providing a "unique and unparalleled service."

Through the World Service Trust, the BBC is now playing an important role in the reconstruction of the media in Afghanistan, including training journalists and equipping new radio studios. More than 150 journalists have already received training from a team led by William Reeve, previously BBC correspondent in Kabul and the first Western journalist to return to Kabul before the Taliban fled. Also notable for their outstanding coverage of world events were Stephen Evans reporting live from the World Trade Centre as the Twin Towers collapsed, Kylie Morris and Fayed Abu Shammala's authoritative reporting from Gaza, and Kate Clark and Catherine Davis' enlightening despatches from Afghanistan itself.

The battle for radio audiences is increasingly ferocious across the world as markets deregulate and listener choice explodes. Rapid technological advances, lifestyle changes and growing competition mean it is imperative for the World Service to have an even stronger understanding of audience needs and market developments. We continue to strive to reach target audiences with a high quality, distinctive offer that provides real added value for listeners.

In the context of more intense competition and market deregulation, the overall global radio audience for BBC World Service fell three million in the past year, from the record high in 2001, to 150 million listeners.

**We continue to strive to reach target audiences with a high quality, distinctive offer that provides real added value for listeners**

A dramatic fall in radio listening in India, where less than one in four now listens to any radio station, impacted severely on the overall World Service global figure. Our first all-India survey revealed a 45% drop in our audience there, down 12 million to 14.6 million listeners. There were also declines in Indonesia and Poland.

In contrast, the overall audience position in other areas showed significant gains in, for example, Bangladesh, Germany, Tanzania and Ukraine and audiences were measured for the first time in Iran and Rwanda. Audiences almost doubled in Australia, and in the USA we recorded 2.9 million listeners, our highest audience for many years. In a survey in October 2001, one in four opinion formers in Boston, New York and Washington were listening to the World Service every week. Importantly, the global audience figure does not take account of areas of potential high listening like Afghanistan and Somalia where it is not possible to carry out comprehensive audience surveys.

Nearly 30% of our audience now listens through a growing network of nearly 2,000 local broadcasting partners around the world. Where the World Service is on FM, it is significantly building its audience. We are now present on FM, in some form, in 129 capital cities – 67% of all capitals. We aim to be present on FM in at least 70% of all capitals by 2004.

**In October 2001, one in four opinion formers in Boston, New York and Washington were listening to the World Service every week**

Our website achieved outstanding growth, year on year, with usage rising 92% to 75 million monthly page impressions by March 2002. World class sites have been developed in English, Arabic, Chinese, Hindi, Persian, Portuguese, Russian, Spanish and Urdu.

BBC Monitoring, based at Caversham, had an extraordinary year too, with high demand for fast and accurate global media monitoring. Overall customer satisfaction remained high as Monitoring provided an unrivalled range of comprehensive materials for stakeholders, the Foreign and Commonwealth Office, the Ministry of Defence, the Cabinet Office, BBC World Service and its other customers.

The year ahead will continue to be one of enormous challenge both editorially and in terms of competitive performance. In the post-September 11th world, I believe that with the need for open dialogue, trusted information and greater understanding, the role of BBC World Service is more important than ever. We must continue to provide a highly valued and trusted service, recognised for its integrity and impartiality, and focused on enriching people's lives – a global leader for Britain respected around the world.



**Mark Byford**  
Director  
BBC World Service and Global News



20.03.02

The Jerusalem bureau provided round the clock coverage of the extraordinary political and military developments in the Middle East

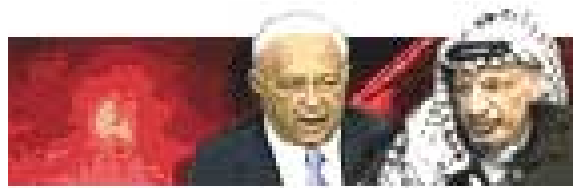


03.03.02

Throughout the year the conflict presented big challenges for our reporting teams



© Reuters/Corbis Sygma



بالتواريخ: محادثات السلام

**Middle East** I learnt important things from BBC Arabic Service colleague Fayed Abu Shammala... including how to stay alive. Not to organise interviews with wanted men on mobile phones or to interview them in the office or at home... try for a neutral place... and keep your questions short – **Kylie Morris, BBC Gaza Correspondent**

20.03.02

The BBC's Arabic Service extended its news provision to 24 hours a day

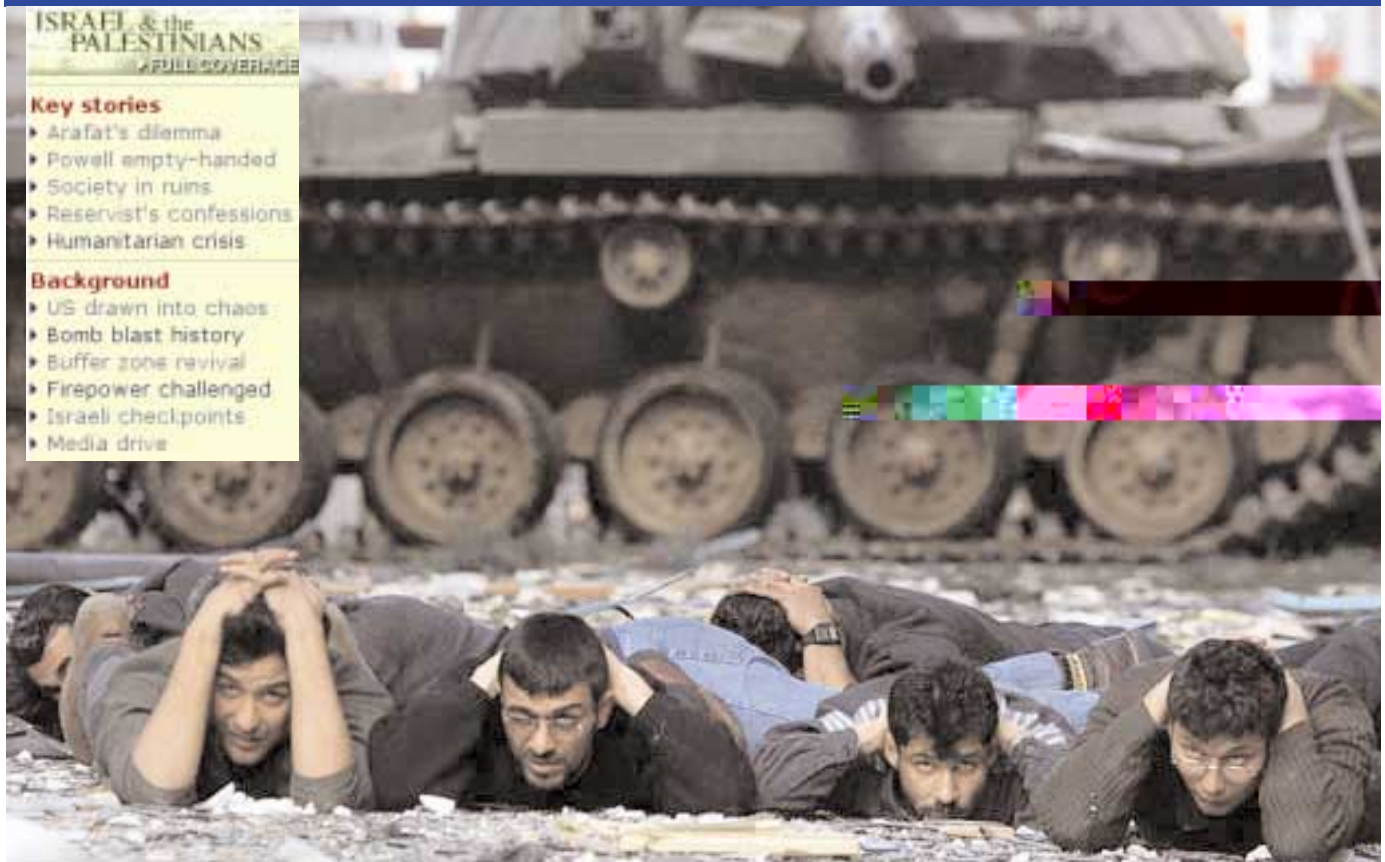
**ISRAEL & the PALESTINIANS**  
A FULL COVERAGE

**Key stories**

- Arafat's dilemma
- Powell empty-handed
- Society in ruins
- Reservist's confessions
- Humanitarian crisis

**Background**

- US drawn into chaos
- Bomb blast history
- Buffer zone revival
- Firepower challenged
- Israeli checkpoints
- Media drive



© Reuters



## A year in review

# The bigger picture – making sense of a changing world

Hundreds of partner stations and rebroadcasters opted in to the special programming in English, including more than 60 additional public radio stations in the USA

This year especially, the commitment to providing depth, context and analysis alongside accurate and impartial information has been crucial. A strong network of more than 50 bureaux around the world, together with experts and analysts at Bush House, backed up by the outstanding capability of the BBC Monitoring team at Caversham, enabled the World Service to provide an unrivalled offer of dependable news and current affairs.

### Extraordinary times

The attacks on the United States of America on 11 September and the subsequent conflict in Afghanistan placed unprecedented demands on the World Service. Within minutes of the first hijacked plane hitting the North Tower of the World Trade Centre, North America Business correspondent Stephen Evans was reporting from the foot of the South Tower; the beginning of the World Service's special 40-hour broadcast – the longest in its history.

A strong network of more than 50 bureaux around the world... enabled the World Service to provide an unrivalled offer of dependable news and current affairs

In the days and weeks that followed, BBC World Service kept its listeners informed with eye witness reports from around the world and programmes of debate and discussion that reflected differing views. Hundreds of partner stations and rebroadcasters opted in to the special programming in English, including more than 60 additional public radio stations in the USA. Such "authoritative, wide-ranging accounts" won the World Service and BBC World the prestigious George Polk Journalism Award in the USA for Radio and Television Reporting. At the One World Broadcasting Awards, the World Service won the Special Achievement Award for 2002, the One World Trust's top honour. Services in Pashto, Persian and Urdu were expanded within days and Arabic news broadcasts increased to 24 hours a day. Baqer Moin, the head of the Persian and Pashto services, received the Commonwealth Broadcasting Association's most prestigious honour, the Elizabeth R award, for "the most exceptional contribution to public service broadcasting in the past year." With the Middle East continuing to occupy a central role in the global agenda, medium wave and short wave transmissions to the region have been enhanced.

"Listeners value the depth and context we provide, and our ability to make sense of what is going on at this extraordinary time." **Phil Harding, Director English Networks and News**

The fact that BBC World Service was the only broadcaster invited by the UN Representative to Afghanistan, Lakhdar Brahimi, to cover the full inauguration of the Interim Administration of Afghanistan on 22 December highlights its reputation as the world's most respected international news provider.



Sony Award



One World Awards



CBA Elizabeth R Award



Polk Award



Webby Award



Wincott Award

World Service specialist  
local knowledge offers  
invaluable insight  
and support to all  
BBC output

### Nation to nation

The contribution made by BBC World Service's language services to democratic debate is significant. In areas where people have limited access to information, or the media are suppressed, these broadcasts give listeners the opportunity to make informed and reasoned choices. World Service specialist local knowledge offers invaluable insight and support to all BBC output. The reports of the Persian and African services in the run-up to government elections in Iran and Zimbabwe were powerful examples of this role.

"BBC World Service faced severe difficulties covering the election in Zimbabwe as the government there did not allow any BBC reporters in for the campaign and result. However, the African Service has two dedicated reporters already based in Harare and Bulawayo who reported very courageously on the election and its build-up for *Focus On Africa* and *Network Africa* which could then be accessed by the rest of the BBC." **Kari Blackburn, Head BBC African Service**

With just four staff, the BBC Nepali Service is one of the smallest sections. The sudden deaths of the king, queen and eight other members of the royal family during a shooting at the palace in June was the biggest story to face the team. They worked around the clock to provide accurate news and analysis for their own broadcasts to Nepal and for other BBC programmes.

"I was completely stunned when I heard about the deaths of the royal family and felt quite numb. But as a journalist, I had to compose myself to call my contacts in Nepal, conduct interviews and report what was a major international news story." **Khagendra Nepali, Editor BBC Nepali Service**

Backed by the Serbian section's sources in Belgrade, BBC World Service responded with speed to the breaking story that former president Slobodan Milosevic was being sent to The Hague to face charges of crimes against humanity. Our language services to the Balkans explored the legal implications and asked if alleged war crimes committed in their areas might eventually be held at The Hague too. Comprehensive coverage of the Milosevic trial has been provided in 2002.

24.10.01

BBC World Service deployed correspondents across Afghanistan to cover the military conflict

© Associated Press



**Conflict** Terrorism is not a flesh and blood enemy, it is elusive, an ever-moving target. It might take a root-and-branch remaking of the world order to deliver us from the threat of terrorism – **Allan Little, World Affairs Correspondent and presenter** *Making Terror, Breaking Terror*

**Macedonia CRISIS**

- Full coverage
- Key stories**
  - Next steps
  - Q&A: The basics
  - Peace deal



You are in: In Depth: **Kashmir flashpoint**



**LATEST NEWS**

04.07.01

BBC Macedonian and Albanian teams collaborated to give listeners the full picture of the complex story of inter-ethnic tension in Macedonia

© Magnum/© Reuters



03.03.02

World Service English, Hindi and Urdu services all provided comprehensive programming and analysis of the Kashmir dispute





22.04.02

The collapse of the economy in Argentina was one of the top business stories of the year



© Popperfoto

**Economies** The Wincott Foundation named Global Business the Best Radio Programme 2001. It highlighted the high level of research and strong production values of the programme. The judges singled out the contribution of the presenter Peter Day to the programme's success, commenting that his reporting style and interview technique ensured each programme was rich in information – **Phil Harding, Director English Networks and News**

26.02.02

BBC World Service gave detailed coverage and comprehensive analysis of the Enron story



01.01.02

World Service covered the Euro launch in depth



© Popperfoto © Popperfoto

**BBC World Service  
continued to make  
a strong commitment  
to comprehensive  
and informed sports  
coverage**

**Down to business**

As globalisation advances apace, business and economic developments have been propelled up the news agenda. The slowdown in the global economy, the Argentinian economic collapse, the Enron scandal and the launch of the Euro all featured prominently. This year, significantly boosting business content has been a BBC World Service strategic priority. Editions of *World Business Report* have been doubled and regionally focused editions introduced for Europe, South and East Asia. *Global Business* won the prestigious Wincott Award for the "best business programme in radio."

"We see our great strengths as delivering the context and analysis. If anti-globalisation protesters are clashing with police at IMF meetings, we aim to help our listeners to understand the competing forces of globalisation, economic nationalism and environmentalism, and what's driving them." **John Renner, Senior Commissioning Editor, News**

**On the ball**

BBC World Service continued to make a strong commitment to comprehensive and informed sports coverage. A new weekly programme, *World Football*, was launched examining the key issues facing the world's most popular game. BBC World Service scored again when it won the broadcast rights to the African Cup of Nations, the continent's biggest sporting event. Offering the most extensive coverage ever of the biennial soccer tournament, there were live commentaries from 26 matches in English and hours of programming devoted to the tournament on the African services.

"While other journalists battled to secure interviews with players and coaching staff outside the normal media briefings, the mere mention of the BBC and especially *Fast Track*, the flagship sports programme of the African Service, proved to be the golden key which opened doors."

**Mohammed Allie, BBC reporter in South Africa**

**New division**

Later this year, BBC World Service celebrates its 70th anniversary. Attention, however, is focused firmly on the future. The launch of a single international news and information division comprising BBC World Service, BBC World and the international online news services is imminent. The new division is designed to create a clearer, co-ordinated presence in the media marketplace and improve the overall impact of the BBC's international news services with global audiences.

## A year in review

### Loud and clear – FM and digital broadcasts

In order to compete in more developed markets, the World Service has to expand its FM presence rapidly, primarily through local partnerships

Deregulation of the radio medium continues apace, and this year BBC World Service has worked energetically to respond to changing listener needs. As short wave remains the primary distribution method in many areas, especially in the least developed world, modernising transmitters remains a priority. However, in order to compete in more developed markets, the World Service has to expand its FM presence rapidly, primarily through local partnerships. The increase in digital satellite capacity globally is also being utilised effectively. In Germany alone, an estimated one million listeners tuning to the World Service in English each week now do so via cable and satellite television.

#### Moving to FM

Since July 2001, delivery in English to North America, Australia, New Zealand and the Pacific Islands has focused on our numerous rebroadcasting partnerships on FM and medium wave, complemented by access to World Service audio online via the internet. The savings generated by this transition from short wave are being used to build BBC World Service's presence on FM globally and to extend its medium wave presence to Afghanistan and the surrounding region.

Among the new developments concluded this year, FM broadcasts have been made available to Nigerian listeners in Kano as well as Abuja and Lagos; the Indonesian service can now be heard in Medan and East Java; a 24-hour FM stream launched in Kinshasa, DR Congo; and Georgians can now hear the Central Asia/Caucasus service on medium wave throughout the country and on FM in the capital Tbilisi. During March, the World Service's first solar-powered relay was launched in Hargeisa, Somaliland, carrying FM programmes in Somali, English and Arabic.

"You need good reception to make radio listening attractive. Nowadays you can listen to FM programmes anywhere in Thailand – although we have to keep short wave as an insurance policy in case political stability is disrupted." **Authapol Wananuraks, Acting Head BBC Thai Service**, which celebrated its 60th anniversary this year.

#### Digital delivery

BBC World Service is investing in an important new digital production system at Bush House, which is due to be completed during 2003. The Go Digital Project will put in place new technology which will give much greater access to all audio content, ready for digital editing, and provide automated playout for both radio and online broadcasts.

BBC World Service Extra was made available to relevant UK ethnic minority communities for the first time this year via digital satellite television. It provides World Service audio news and current affairs coverage in Arabic, Bengali, Hindi, Pashto, Persian and Urdu to UK listeners. Digital satellite transmissions of BBC Arabic output now also span the Arab world.

The savings generated by this transition from short wave are being used to build BBC World Service's presence on FM globally and to extend its medium wave presence to Afghanistan and the surrounding region



06.10.01

BBC World Service's new flagship sports programme  
*World Football* was launched in November 2001



© Press Association

**Delivery** Being a successful world broadcaster means harnessing the benefits of modern technology. Listeners now have increasing choice and convenience enabling them to access the World Service via different platforms – short wave, FM, the net and mobile devices – **Nigel Chapman, Deputy Director BBC World Service**

12.03.02

BBC African Service reporters in Harare and Bulawayo remained in Zimbabwe throughout the election, providing reports for all BBC outlets



© Reuters

17.08.01

BBCRussian.com enabled listeners to participate in interactive debate



01.04.01

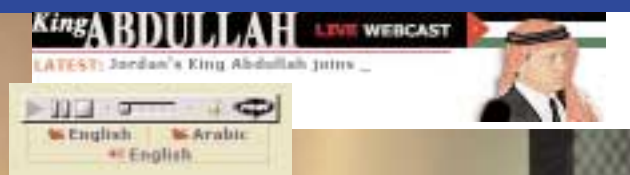
BBC World Service now provides websites for all its 43 language services



**Interactivity** Delivering quality content and interactivity in a world in which more than 500 million people are online, our new media operation is steadily increasing its reach and impact – **Chris Westcott, Head of New Media**

25.03.02

World leaders, including King Abdullah of Jordan, took part in high profile discussion programmes on radio and online





### The immediacy of internet communication held enormous appeal in the aftermath of the attacks on the USA

The increase in traffic to BBC World Service Online this year has beaten all targets and easily exceeded comparable internet growth rates in the industry. Receiving the prestigious Webby Award for the world's best radio website from the International Academy of Digital Arts and Sciences was recognition of the impressive advances that have been made in the past four years. Audio is now available, live or on-demand, in all 43 languages broadcast by the World Service, as well as the provision of world class, continuously updated news and information sites of significant depth in Arabic, Chinese, Hindi, Persian, Portuguese (for South America), Russian, Spanish and Urdu as well as English.

Not surprisingly, the immediacy of internet communication generated enormous interest in the aftermath of the attacks on the USA. Traffic to BBC World Service's website hit new records during September 2001, with page impressions increasing 140% to 120 million. Usage in English, Arabic, Persian and Urdu more than doubled, while Spanish traffic trebled. More than 30,000 e-mails were received for a single *Talking Point* programme in the week of September 11th.

**Nelson Mandela and his wife, Graça Machel, talked about children's rights on *Talking Point*, the programme that allows internet users and radio listeners to ask direct questions to global leaders**

"This is probably the first major story where so many people have had the opportunity to comment online as events unfold, and we received a record number of e-mails."

**Nigel Chapman, Deputy Director, BBC World Service**

BBCChinese.com obtained valuable media coverage when the BBC co-hosted a public seminar, in conjunction with the Beijing Broadcasting Institute, in the Chinese capital. Viewed as a milestone in a market with huge potential, direct access to the site is still blocked in China although some users access it indirectly. However, the Chinese diaspora around the world have been increasingly accessing the site.

BBCArabic.com broke new ground this year with the Middle East's first tri-media interactive webcast. Produced in Kuwait in partnership with Kuwait TV and *Al-Arabi* magazine, internet users, TV viewers and radio listeners all over the Arab world joined in the live debate on electronic information delivery. The service also received a number of awards in the Middle East for best Arabic news site online.

Former South African president Nelson Mandela and his wife, Graça Machel, talked about children's rights on *Talking Point*, the programme that allows internet users and radio listeners to ask direct questions to global leaders. Ruud Lubbers, UN High Commissioner for Refugees, took part in a multi-media initiative to tie in with the landmark series *The Road To Refuge*. Interactive global forums on the internet have been an increasingly important development. President Obasanjo of Nigeria, King Abdullah of Jordan and Hamid Karzai, leader of the then interim administration of Afghanistan, all took part in the past year.



In many of the world's poorest communities, radio is the main source of news and information. Through its remarkable reach, the BBC World Service is in a unique position to communicate to these people and to provide a platform for their voices.

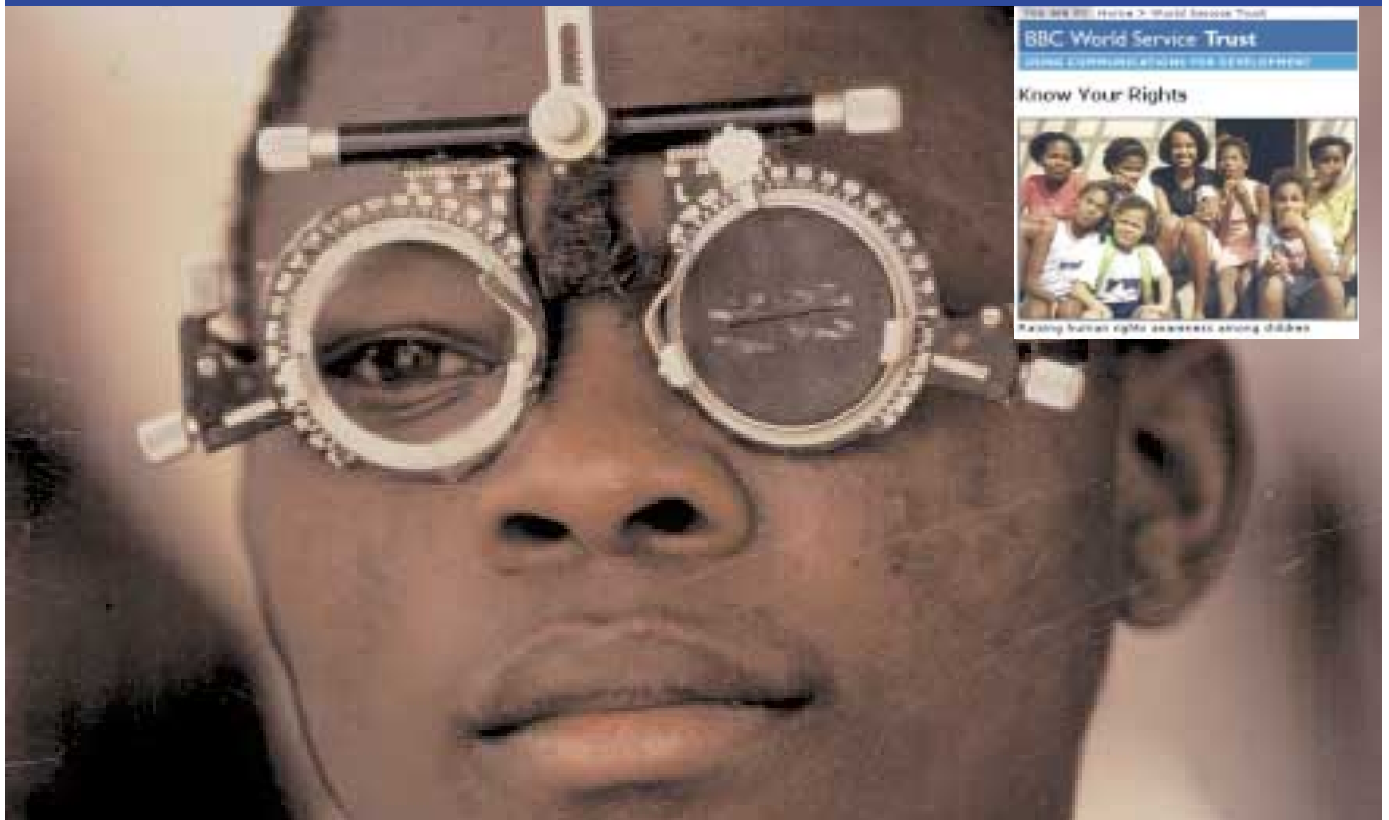
In 1999 it set up the BBC World Service Trust to promote development through communications and to build media expertise in developing countries and countries in transition. The Trust's projects, which are funded by a variety of donors, tackle health, education and social development issues. Projects aim to increase understanding of human rights and, through drama and radio soaps, address social issues in local languages in an entertaining and accessible way.

Afghanistan now faces rebuilding on a massive scale, both physically and socially, and the development of a free and independent media makes an important contribution to this reconstruction. *Lifeline* programmes in Pashto and Persian, for displaced people, started in November, delivering health and safety messages. Meanwhile, the hugely popular educational soap, *New Home, New Life*, has focused its

Afghanistan

10.01-03.02

BBC World Service Trust led a health communications campaign in Ghana to support the elimination of trachoma, which can cause blindness



© Still Pictures

**Development** Using the reach of the BBC World Service and in partnership with national broadcasters and community organisations in developing countries, the Trust aims to tackle poverty by empowering the poorest communities and reaching them with vital health and educational messages – **Stephen King, Director BBC World Service Trust**

06.01-01.02

The Trust continued its human rights initiative with live events for broadcast in Kenya, Russia, Nigeria, India and Mexico



© Associated Press

13.11.01

Tracking the impact of all broadcasting in Afghanistan was a key task for BBC Monitoring



29.03.02

Migration was a major global theme of the year



© Associated Press/© Associated Press

A challenging year, dominated by the war on terrorism, and rewarded by increasing recognition and by sustained technological progress – **Mike Elliott, Deputy Director BBC Monitoring**

25.05.01

The impact of globalisation and the growth of the internet both present new sources of information for BBC Monitoring



© Press Association



“The media is more important than it has ever been in influencing opinions,” says BBC Monitoring’s Director, Andrew Hills. Through its role as a media monitor, the team at Caversham, near Reading, offered a unique perspective on the dramatic events of the year. Accessing the output of over 3,000 sources around the clock – from state-controlled television

# A year in review

## Output and performance measures

### 1 Global Radio Audience

Number of adults listening in an average week, through direct and/or indirect broadcasting (in millions), excluding areas where measurement is not possible. Global totals are shown rounded to whole numbers; regional figures are shown rounded to nearest half million. The regional figures, therefore, may appear not to add up to the global total.

National surveys are carried out in a range of countries every year in order to update the global audience figure and to assess performance among target audiences.

#### Average weekly audience (millions)

	2000/01 Actual	2001/02 Target	2001/02 Actual
Global	153	155	150
Regional			
Africa and the Middle East	52.5	53.5	59.0
Americas	9.0	9.0	9.5
Asia and the Pacific	68.5	68.5	57.0
EurAsia	9.0	9.5	10.5
Europe	14.0	14.5	14.5

There was a significant loss of audience in India, due to a decline in overall radio listening, and in Indonesia. There were significant gains in Bangladesh, Germany, Tanzania and Ukraine and audiences were measured for the first time in Iran and Rwanda.

#### Key City Tracker Surveys

In addition to the national surveys, tracking studies are carried out in a number of major cities in key countries every year, measuring awareness, reach and trust amongst target audiences.

Target audiences for the tracker surveys are defined as cosmopolitans (highly educated decision makers and opinion formers) combined with aspirants (those who aspire to improve their lives, for whom the World Service offers a vital link to the wider world).

From 2001/02, data for cosmopolitans and aspirants have been combined to deliver a more robust figure. The figures for previous years have been restated to reflect this change.

#### Awareness

Percentage of respondents who are aware of BBC World Service broadcasts

Country	Survey coverage	2000/01 Actual	2001/02 Target	2001/02 Actual
<b>Africa and the Middle East</b>				
Nigeria	Lagos	95	80	91
Egypt	Cairo	73 <sup>(a)</sup>	39	84
<b>Americas</b>				
USA	Boston, New York, Washington	96	82	96
Mexico	Mexico City	36	34	21
<b>Asia and the Pacific</b>				
India	Mumbai	52	46	58
China	Beijing, Chengdu, Shenyang	—	33	36
Pakistan	Karachi	94	—	95
<b>EurAsia</b>				
Russia	Moscow, St Petersburg	89	85	74
<b>Europe</b>				
Czech Republic	Prague	66	76	92

#### Note

(a) Egypt: improved questionnaire introduced in 2000/01

150m  
weekly listeners  
around the world

## Reach

Weekly combined audience in any language (percentage of sample)

Country	Survey coverage	2000/01 Actual	2001/02 Target	2001/02 Actual
<b>Africa and the Middle East</b>				
Nigeria	Lagos	27.0 <sup>(a)</sup>	41.0	45.6
Egypt	Cairo	11.7 <sup>(b)</sup>	8.5	14.6
<b>Americas</b>				
USA	Boston, New York, Washington	20.3	14.0	24.4
Mexico	Mexico City	6.6	5.2	4.0
<b>Asia and the Pacific</b>				
India	Mumbai	5.5	8.6	3.4
China	Beijing, Chengdu, Shenyang	—	2.1	3.7
Pakistan	Karachi	20.7	21.6	30.5
<b>EurAsia</b>				
Russia	Moscow, St Petersburg	2.0	6.4	3.6
<b>Europe</b>				
Czech Republic	Prague	4.6	8.1	15.0

### Notes

(a) Nigeria: 2000/01 survey carried out while Ray Power (FM rebroadcaster) was off air

(b) Egypt: improved questionnaire introduced in 2000/01

## Trust

Percentage of BBC World Service listeners in the last 12 months who say the BBC "is a source that I trust." Prior to 2001/02, data referred to "weekly listeners." Figures for previous years have been restated to reflect the change to "listeners in the last 12 months."

Country	Survey coverage	2000/01 Actual	2001/02 Target	2001/02 Actual
<b>Africa and the Middle East</b>				
Nigeria	Lagos	86	92	85
Egypt	Cairo	85 <sup>(a)</sup>	87	77
<b>Americas</b>				
USA	Boston, New York, Washington	83	—	89
Mexico	Mexico City	75	77	62
<b>Asia and the Pacific</b>				
India	Mumbai	78	79	98
China	Beijing, Chengdu, Shenyang	—	66	79
Pakistan	Karachi	88	83	86
<b>EurAsia</b>				
Russia	Moscow, St Petersburg	51	50	49
<b>Europe</b>				
Czech Republic	Prague	73	82	82

### Note

(a) Egypt: improved questionnaire introduced in 2000/01



# 75.3m

page impressions  
per month online

## 2 Online Audience – monthly text and audio page impressions

Millions	March 2001 Actual	March 2002 Target	March 2002 Actual
World Service site	15.1	17.0	28.9
World News site	24.2	30.0	46.4
Total	39.3	47.0	75.3

## 3 Short Wave Audibility

A new system was introduced in 2001/02. Audibility reports are based on data from signals monitored around the world. Quality is rated as follows:

- 5 very good
- 4 good
- 3 acceptable
- 2 poor
- 1 unacceptable

Percentage of all short wave signals scoring 3, 4 or 5

	2001/02 Target	2001/02 Actual
Global	85	85
Africa and the Middle East	85	84
Americas	75	74
Asia and the Pacific	84	83
EurAsia	86	88
Europe	90	93

# 129

capital cities with  
FM presence

## 4 Capital Cities with FM Presence

This indicator is new for 2001/02.

	March 2001 Actual	March 2002 Actual
Number of capital cities with FM presence	121	129

## 5 Staff Numbers

Figures refer to the number of equivalent full time staff in World Service Broadcasting

	March 2001 Actual	March 2002 Target	March 2002 Actual
UK based	1,027	1,107	1,086
Overseas based	210	243	247
Total	1,237	1,350	1,333

### 6 Hours of Output per Member of Staff per Week

This indicator is based on the hours of language programming produced per week and the numbers of equivalent full time staff employed both in the UK and overseas, excluding staff involved with online output.

	2000/01 Actual	2001/02 Target	2001/02 Actual
Hours	0.86	0.86	0.93

### 7 Revenue Earning

These figures refer to gross revenue – not net profit. They reflect the additional revenue generated by World Service Broadcasting from sources other than the Foreign and Commonwealth Office Grant-in-Aid. They also include income generated by the BBC World Service Trust, a charitable company associated with BBC World Service. The BBC World Service Trust is not included within the financial statements of BBC World Service.

	2000/01 Actual £m	2001/02 Target £m	2001/02 Actual £m
BBC World Service	5.1	5.3	5.0
BBC World Service Trust <sup>(a)</sup>	4.2	5.4	5.8
Total	9.3	10.7	10.8

#### Note

(a) BBC World Service Trust: Excluding grants receivable from BBC World Service

These figures exclude any quantification of benefits in kind, for example gaining rebroadcasting agreements with local partners around the world, which increase BBC World Service's audience reach at no additional cost.

The BBC World Service figure includes turnover from the BBC World Service shop of £0.6 million (2000/01 £0.6 million). The shop is operated by another BBC division and therefore this income does not appear in the BBC World Service financial statements.

# BBC Board of Governors' Consultative Group Report



- 1 **Dame Pauline Neville-Jones** DCMG  
BBC Governor (Chair)
- 2 **Professor Monojit Chatterji**  
Professor of Applied Economics,  
University of Dundee
- 3 **Bill Emmott**  
Editor, The Economist
- 4 **Sir Brian Fall** GCMG, KCMG  
Principal, Lady Margaret Hall,  
Oxford
- 5 **Sir Michael Perry** CBE  
Chairman, Centrica plc
- 6 **William Shawcross**  
Journalist and author

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

In 2001/02 the Consultative Group agreed to review output in English, Arabic, Bengali, Hindi, Urdu, Persian and Pashto. This selection followed the three-year research cycle but was also informed by the aftermath of September 11th and the war in Afghanistan, and the wish to review World Service output to that region.

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

The Consultative Group notes that the international news situation for the period of the assessment has been exceptional, with the September 11th aftermath, the war in Afghanistan and the India/Pakistan tension dominating the agenda. Following the September 11th events, the World Service expanded output in Arabic, Pashto, Persian and Urdu and gained access to a new medium wave frequency covering the regions served by these broadcasts. In this context, the Consultative Group feels that assessors' reports provide striking evidence of the World Service's unique positioning, authority and trustworthiness in such circumstances. The feedback provided by the assessors offers convincing testimonies of the value and impact of World Service broadcasts.

The Consultative Group is pleased to note that the World Service English website also attracted high scores from assessors, in particular for the authority and accuracy of its content. The Consultative Group observes that assessors' scores for ease of use and navigability have improved on the previous year. The absence of advertising on the site is also a clear asset.

The Consultative Group notes, from some assessors' comments, that poor audibility and unattractive presentation style can discourage people from listening, even if they have a high opinion of the content broadcast. The Consultative Group believes that the World Service should give a high priority to addressing these two key issues across the full range of its output.

In its discussions, the Consultative Group also identified a number of areas where the assessors' reports indicate room for improvement – these are:

- + Making the style of the World Service Arabic radio output more accessible and appealing to its audience
- + Reviewing the World Service output strategy for India in the light of growing competition from television
- + Thoroughly reviewing the World Service output in Hindi to better respond to audience needs and expectations
- + Improving audibility across the Indian sub-continent by seeking to persuade Indian broadcasting authorities to make FM outlets available
- + Exploring the feasibility of separating broadcasts to Afghanistan, Iran and Tajikistan
- + Reviewing the balance of content in Persian broadcasts, and on the World Service Persian website, to ensure that they are adequately covering and interpreting the issues of importance to all the political communities in the region



# BBC World Service Management Board 2002



**A Mark Byford**  
Director BBC World Service  
and Global News

**B Benny Ammar**  
Head of Go Digital

**C Alan Booth**  
Controller Marketing

**D Nigel Chapman**  
Deputy Director  
BBC World Service

**E Mike Cronk**  
Controller Distribution  
and Technology

**F François Delauzun**  
BBC World Service Secretary

**G Lesley Granger**  
Director Human Resources

**H Phil Harding**  
Director English Networks  
and News from 11.06.01  
(Bob Jobbins retired  
on 04.05.01)

**I Andrew Hills**  
Director BBC Monitoring

**J Andrew Hind**  
Finance and Business  
Development Director

**K Zdenka Krizman**  
Head of Europe

**L Barry Langridge**  
Head of Africa and the Middle East

**M Fred Martenson**  
Head of Strategy from 12.11.01  
(Fritz Groothues left on 30.10.01)

**N David Morton**  
Head of EurAsia

**O Andrew Thompson**  
Acting Head of Americas  
from 15.10.01

**P Jerry Timmins**  
Head of Americas  
Seconded to BBC  
Making It Happen project

**Q Chris Westcott**  
Head of New Media

**R Elizabeth Wright**  
Head of Asia and the Pacific

29.01.02

The African Cup of Nations provided a major opportunity for pan-BBC cooperation. The African Service and BBC Sport Online launched a special website. African Productions together with BBC Sport provided daily live commentary and reports



© Empics

**Sport** World Service and football are two international institutions which act as a world's reference point. So *World Football* was born, the African Cup of Nations was covered by the biggest team ever and the English Premiership attracted huge audiences to *Sportsworld* and *Sunday Sportsworld* – **David Coles, BBC World Service Editor, BBC Sport**

13.07.01

BBC Chinese Service produced extensive coverage of the Olympic Committee's decision to award the 2008 Games to Beijing



© Reuters

# Financial review

## Broadcasting

2001/02 was the first year of the Government's 2000 Spending Review from which BBC World Service Broadcasting will receive an additional £20 million in operating Grant-in-Aid and £15 million in capital by financial year 2003/04. Within this framework, Grant-in-Aid for 2001/02 increased by £6 million to £188 million (note 1a page 33), comprising £166 million for operating expenditure, £5 million for a subscription to BBC Monitoring and £17 million capital. The Grant-in-Aid for operating expenditure included a further £2.8 million to help pay for the costs of additional output and transmission in 2001/02 following the events of September 11th.

The operating surplus for the year of £5.3 million arises primarily from an excess of capital Grant-in-Aid received for the Oman transmitter project over depreciation and other capital charges. In addition to the operating surplus, a £3.3 million profit was made on the disposal of a property in Singapore, which BBC World Service had owned for many years. With the agreement of the Foreign and Commonwealth Office, the sales proceeds were reinvested in the new Oman transmitter site.

Developments in the year included new multi-media websites in Hindi, Urdu, Portuguese (for South America) and Persian, which came on stream in accordance with the BBC World Service Three Year Plan. During 2001/02 BBC World Service increased its capital city presence on FM from 121 to 129 cities. Notable gains included Kinshasa, Lima and Zagreb. The target for 2002/03 is to be present in 135 (70%) of the world's capital cities.

## Value for money

BBC World Service has an ongoing programme of efficiency improvements. Including the reduction in costs achieved by other BBC divisions, which provide English language programmes and technical and support services to BBC World Service, we were able to achieve overall efficiency savings of £3.2 million (2.1%) in the year.

We were also able to increase further, to 88%, the proportion of funding spent directly on content production and delivery, with only 12% spent on overheads and support charges. We aim to increase the content percentage to 90% by 2003/04.

We continue to search for opportunities to offset costs by raising additional income in a manner consistent with the BBC's editorial and commercial guidelines. External income of £4.4 million was generated in the year from a number of sources, including the sale of programmes, co-production deals and publishing activities.

We add further value to the core Grant-in-Aid through partnerships with radio stations around the world, which rebroadcast our programmes at no cost to BBC World Service. As online becomes an increasingly important part of our overall offer, this model is now being extended to partnerships with key internet service providers in individual countries, enabling us further to expand reach without additional distribution costs.

## BBC Monitoring

Subscription income from official customers (including BBC World Service Broadcasting) amounted to £20.6 million which, combined with income from other sources, produced total revenue for BBC Monitoring of £23.8 million.

## Andrew Hind

Finance and Business Development Director



# Financial statements

## Statement of income and expenditure for the year ended 31 March

	Note	2002 £m	2001 restated £m
Grant-in-Aid		<b>187.9</b>	181.8
Other income		<b>23.2</b>	22.7
<b>Total income</b>	1	<b>211.1</b>	204.5
Operating expenditure	2	<b>(205.0)</b>	(193.3)
<b>Operating surplus</b>		<b>6.1</b>	11.2
Profit on disposal of a property	4	<b>3.3</b>	–
<b>Surplus before interest and taxation</b>		<b>9.4</b>	11.2
Interest receivable		<b>0.6</b>	0.7
<b>Surplus before taxation</b>		<b>10.0</b>	11.9
Taxation	5	<b>(0.2)</b>	(0.2)
<b>Surplus for the financial year</b>	1,12	<b>9.8</b>	11.7
Transfer to capital reserve	12	<b>(7.2)</b>	(8.3)
Transfer from revaluation reserve	12	<b>0.8</b>	0.8
<b>Surplus for the year transferred to operating reserve</b>		<b>3.4</b>	4.2

*Comparative figures for 2001 have been restated for the adoption of FRS 17 (see note 18)*

The above results are derived from continuing operations

## Balance sheet at 31 March

	Note	2002 £m	2001 restated £m
<b>Fixed assets</b>			
Tangible fixed assets	6	<b>123.3</b>	116.9
<b>Current assets</b>			
Stocks	8	<b>0.2</b>	0.2
Debtors	9	<b>14.8</b>	10.0
Cash at bank and in hand	14	<b>11.4</b>	10.2
		<b>26.4</b>	20.4
<b>Creditors – amounts falling due within one year</b>	10	<b>(10.7)</b>	(8.6)
<b>Net current assets</b>		<b>15.7</b>	11.8
<b>Total assets less current liabilities</b>		<b>139.0</b>	128.7
<b>Provisions for liabilities and charges</b>	11	<b>(4.7)</b>	(4.2)
<b>Net assets</b>		<b>134.3</b>	124.5
<b>Represented by</b>			
Capital reserve		<b>116.9</b>	109.7
Revaluation reserve		<b>6.4</b>	7.2
Operating reserve		<b>11.0</b>	7.6
	12	<b>134.3</b>	124.5

*Comparative figures for 2001 have been restated for the adoption of FRS 17 (see note 18)*

The financial statements were approved by the Governors and the BBC World Service Management Board on 20 June 2002 and signed on their behalf by:

**Gavyn Davies**  
BBC Chairman

**Greg Dyke**  
Director-General, BBC

**Mark Byford**  
Director, BBC World Service  
and Global News

**Andrew Hind**  
Finance and Business Development Director,  
BBC World Service

**Statement of total recognised gains and losses for the year ended 31 March**

	Note	2002 £m	2001 restated £m
Surplus for the financial year		<b>9.8</b>	11.7
Prior year adjustment for the adoption of FRS 17	18	<b>0.3</b>	—
<b>Total recognised gains and losses since the previous financial year</b>		<b>10.1</b>	11.7

Comparative figures for 2001 have been restated for the adoption of FRS 17 (see note 18)

**Historical cost surplus for the year ended 31 March**

	Note	2002 £m	2001 restated £m
Surplus before taxation		<b>10.0</b>	11.9
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on revalued assets	12	<b>0.8</b>	0.8
Historical cost surplus before taxation		<b>10.8</b>	12.7
<b>Historical cost surplus for the financial year</b>		<b>10.6</b>	12.5

Comparative figures for 2001 have been restated for the adoption of FRS 17 (see note 18)

**Reconciliation of movement in reserves for the year ended 31 March**

	Note	2002 £m	2001 restated £m
Opening reserves as previously stated		<b>124.2</b>	114.0
Prior year adjustment	18	<b>0.3</b>	(1.2)
Opening reserves as restated		<b>124.5</b>	112.8
Surplus for the financial year		<b>9.8</b>	11.7
<b>Closing reserves</b>	12	<b>134.3</b>	124.5

Comparative figures for 2001 have been restated for the adoption of FRS 17 (see note 18)

**Cash flow statement for the year ended 31 March**

	Note	2002 £m	2001 £m
<b>Net cash inflow from operating activities</b>	13	<b>20.4</b>	25.6
<b>Return on investments and servicing of finance</b>			
Interest received		<b>0.6</b>	0.7
<b>Taxation</b>			
Taxation paid		—	(0.2)
<b>Capital expenditure and financial investments</b>			
Purchase of tangible fixed assets		<b>(23.1)</b>	(23.6)
Proceeds from the disposal of a property		<b>3.3</b>	—
<b>Increase in cash</b>	14	<b>1.2</b>	2.5



# Statement of accounting policies

BBC World Service, funded principally by parliamentary Grant-in-Aid, is a division of the British Broadcasting Corporation, a body incorporated by Royal Charter.

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

BBC World Service does not produce consolidated financial statements as the activities of its subsidiaries and associates are not material.

## **Basis of accounting**

The financial statements are presented under the historical cost accounting convention as modified by the revaluation of certain plant, machinery, furniture and fittings.

BBC World Service has fully adopted early *FRS 17: Retirement Benefits*. *FRS 17* requires a different accounting policy for the recognition of pension costs in the financial statements than its predecessor, *SSAP 24*. Accordingly, the 2001 financial statements have been restated on a comparable basis. Notes 3d and 18 provide more detail of the effects of this change in accounting policy.

## **Income**

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

Other income received by BBC World Service is set out in note 1a of the 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. 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.

## **Pension costs**

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

### **Defined benefit scheme**

The defined benefit scheme, the BBC Pension Scheme, provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the BBC group.

BBC World Service, following the provisions within *FRS 17*, accounts for the scheme as if it were a defined contribution scheme. This is because it is not possible to identify the share of the underlying assets and liabilities of the scheme relating to BBC World Service on a reliable and consistent basis. The expenditure charge therefore represents the contributions payable in the year.

### **Defined contribution scheme**

The amount charged as expenditure for the defined contribution scheme represents the contributions payable by BBC World Service for the accounting period in respect of this scheme.

### **Operating leases**

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

### **Tangible fixed assets**

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

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

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

---

#### **Land and buildings**

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

#### **Plant and machinery**

Computer equipment	– three to five years
--------------------	-----------------------

#### **Furniture and fittings**

– three to ten years
----------------------

---

Plant and machinery and furniture and fittings are stated at the estimated current replacement cost of the assets, as adjusted for remaining service potential, as at 1 April 1996, or cost if acquired subsequently, less accumulated depreciation.

### **Originated programme stocks and work in progress**

Originated programme stocks and work in progress, including those commissioned from independent producers, are stated at cost. The full stock value is written off on first transmission. Cost includes all direct costs and a proportion of production and other attributable overheads.

### **Acquired programmes**

The costs of acquired programmes are written off on first transmission.

### **Reserves**

The value of the capital reserve is equal to the net book value of fixed assets at historic cost. The revaluation reserve reflects the difference between this sum and fixed assets at their revalued amount. The operating reserve is the accumulated surplus of the income and expenditure account to the balance sheet date.

Grant-in-Aid is used to fund both capital and revenue expenditure and a transfer is made to or from the capital reserve equal to the movement in the historic cost net book value of tangible fixed assets during the year.

# Notes to the financial statements

for the year ended 31 March

## 1 Income, surplus and net assets

### 1a Analysis by activity

2002	Broadcasting £m	Monitoring £m	Total £m
<b>Grant-in-Aid</b>	<b>187.9</b>	<b>–</b>	<b>187.9</b>
<b>Subscriptions</b>	<b>–</b>	<b>15.6</b>	<b>15.6</b>
<b>Intra BBC World Service trading</b>	<b>(5.0)</b>	<b>5.0</b>	<b>–</b>
<b>Other income</b>	<b>4.4</b>	<b>3.2</b>	<b>7.6</b>
<b>Total income</b>	<b>187.3</b>	<b>23.8</b>	<b>211.1</b>
<b>Operating expenditure</b>	<b>(182.0)</b>	<b>(23.0)</b>	<b>(205.0)</b>
<b>Operating surplus</b>	<b>5.3</b>	<b>0.8</b>	<b>6.1</b>
<b>Profit on disposal of a property</b>	<b>3.3</b>	<b>–</b>	<b>3.3</b>
<b>Surplus before interest and taxation</b>	<b>8.6</b>	<b>0.8</b>	<b>9.4</b>
<b>Interest receivable</b>	<b>0.2</b>	<b>0.4</b>	<b>0.6</b>
<b>Surplus before taxation</b>	<b>8.8</b>	<b>1.2</b>	<b>10.0</b>
<b>Taxation</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.2)</b>
<b>Surplus for the financial year</b>	<b>8.7</b>	<b>1.1</b>	<b>9.8</b>
<b>Transfer to capital reserve</b>	<b>(6.3)</b>	<b>(0.9)</b>	<b>(7.2)</b>
<b>Transfer from revaluation reserve</b>	<b>0.8</b>	<b>–</b>	<b>0.8</b>
<b>Surplus for the year transferred to operating reserve</b>	<b>3.2</b>	<b>0.2</b>	<b>3.4</b>
<b>Net assets</b>	<b>109.1</b>	<b>25.2</b>	<b>134.3</b>
2001 restated	Broadcasting £m	Monitoring £m	Total £m
Grant-in-Aid	181.8	–	181.8
Subscriptions	–	15.3	15.3
Intra BBC World Service trading	(4.2)	4.2	–
Other income	4.5	2.9	7.4
Total income	182.1	22.4	204.5
Operating expenditure	(172.0)	(21.3)	(193.3)
Operating surplus	10.1	1.1	11.2
Interest receivable	0.3	0.4	0.7
Surplus before taxation	10.4	1.5	11.9
Taxation	(0.1)	(0.1)	(0.2)
Surplus for the financial year	10.3	1.4	11.7
Transfer (to)/from capital reserve	(8.8)	0.5	(8.3)
Transfer from revaluation reserve	0.8	–	0.8
Surplus for the year transferred to operating reserve	2.3	1.9	4.2
Net assets	100.4	24.1	124.5

Comparative figures for 2001 have been restated for the adoption of FRS 17 (see note 18)

**1 Income, surplus and net assets** (continued)**1b Analysis by geographical location**

BBC World Service income, operating expenditure and surplus arise primarily in the United Kingdom.

Within the total net assets of £134.3 million (2001 restated: £124.5 million), the majority of transmission fixed assets are located overseas.

	United Kingdom £m	Rest of the world £m	Total £m
<b>2002</b>			
<b>Land and buildings</b>	<b>12.9</b>	<b>13.1</b>	<b>26.0</b>
<b>Plant and machinery</b>	<b>15.5</b>	<b>39.6</b>	<b>55.1</b>
<b>Fixtures and fittings</b>	<b>1.6</b>	<b>0.4</b>	<b>2.0</b>
<b>Assets under construction</b>	<b>9.2</b>	<b>31.0</b>	<b>40.2</b>
<b>Total fixed assets</b>	<b>39.2</b>	<b>84.1</b>	<b>123.3</b>
<b>Other net assets</b>	<b>11.0</b>	<b>–</b>	<b>11.0</b>
	<b>50.2</b>	<b>84.1</b>	<b>134.3</b>
<b>2001 restated</b>			
Land and buildings	13.4	13.5	26.9
Plant and machinery	17.3	41.6	58.9
Fixtures and fittings	1.4	0.4	1.8
Assets under construction	7.2	22.1	29.3
Total fixed assets	39.3	77.6	116.9
Other net assets	7.6	–	7.6
	46.9	77.6	124.5

Comparative figures for 2001 have been restated for the adoption of FRS 17 (see note 18)

**2 Operating surplus**

The operating surplus is stated after charging the following items:

	2002 £m	2001 £m
Payments under operating leases:		
– Land and buildings	<b>7.5</b>	7.5
– Plant and machinery	<b>0.6</b>	–
Depreciation	<b>15.8</b>	14.8
Loss on disposal of tangible fixed assets	<b>0.4</b>	0.9
Auditors' remuneration – audit	<b>0.1</b>	0.1

**3 Employees and remuneration****3a Persons employed**

The average number of persons employed (full-time equivalent) in the year was:

	2002 Number	2001 Number
Broadcasting	<b>1,291</b>	1,214
BBC Monitoring	<b>506</b>	482
	<b>1,797</b>	1,696

Within the averages above, 163 (2001 162) part-time employees have been included at their full-time equivalent of 89 (2001 92) and 82 (2001 98) persons on guaranteed minimum contracts have been included at their full-time equivalent of 18 (2001 19).

In addition to this, BBC World Service employed on average 70 (2001 101) persons on a casual basis. Their payroll costs are included in note 3b.



**3 Employees and remuneration (continued)****3b Staff costs**

	2002 £m	2001 restated £m
Salaries and wages	<b>56.2</b>	53.9
Social security costs	<b>4.7</b>	4.4
Pension costs	<b>2.1</b>	1.9
Redundancy costs	<b>2.4</b>	1.3
	<b>65.4</b>	61.5

*Comparative figures for 2001 have been restated for the adoption of FRS 17 (see note 18)*

**3c Management Board remuneration**

The members of the Management Board who served during the year are shown on page 25. On page 49, the remuneration report contains more information on the remuneration policy of the BBC for the BBC World Service Management Board. The remuneration of the permanently appointed members of the Management Board is set out below.

	2002 £000	2001 £000
Management Board emoluments	<b>1,964.2</b>	1,413.3
Employer's pension contributions	<b>69.1</b>	52.2
	<b>2,033.3</b>	1,465.5

Following the re-shaping of the Board, nine regional and professional heads joined the Board in October 2000, increasing the Board to 17 members. Therefore, comparative figures for 2001 include the remuneration of these Board members for part of the year only, whereas the 2002 figures include a full year.

Due to an internal restructuring in the year, a redundancy payment of £86,000 was made, which is in addition to the above figures.

The highest paid member of the Management Board in the year was Mark Byford, Director, BBC World Service and Global News. The aggregate of his emoluments to 31 March 2002 was £294,000 (2001 £280,000). As a member of the BBC's defined benefit scheme his total accrued annual pension at 31 March 2002 was £75,000 (2001 £66,000).

16 of the 17 permanently appointed members of the Management Board have retirement benefits accruing under the BBC Pension Scheme (2001 17 members).

**3d Pensions****BBC Pension Scheme**

Many BBC World Service employees are members of the BBC Pension Scheme, which provides salary related pension benefits on a defined benefit basis from assets held in separate, trustee-administered, funds.

BBC World Service, following the provisions within *FRS 17: Retirement Benefits*, accounts for the scheme as if it were a defined contribution scheme. This is because it is not possible to identify the share of the underlying assets and liabilities of the scheme relating to BBC World Service on a reliable and consistent basis. The expenditure charge for this scheme therefore represents the contributions payable by BBC World Service, amounting to £1.3 million in the year (2001 restated: £1.3 million). These contributions benefit from the surplus in the scheme and are lower than the regular cost.

**3d Pensions (continued)**

The scheme is subject to independent valuation by a professionally qualified actuary at least every three years, on the basis of which the actuary certifies the rate of employer's contributions. These, together with the specified contributions payable by employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable under the scheme. The most recent full actuarial valuation of the scheme was prepared as at 1 April 1999 by Watson Wyatt, consulting actuaries, using the projected unit method. At 1 April 1999, the market value of the assets of the scheme was £6,294 million, sufficient to cover 114% of the benefits due to members. An interim valuation has been produced by Watson Wyatt as at 31 March in each subsequent year.

The updated interim valuation as at 31 March 2002 shows that the scheme continues to remain in surplus. It has been agreed with the trustees that contribution rates will remain unchanged for the next year.

Additional disclosure about the scheme is provided in the BBC Annual Report and Accounts which can be obtained from BBC Information Services, 201 Wood Lane, London W12 7TS.

**Other schemes**

BBC World Service made payments of £0.8 million (2001 £0.6 million) into the Group Personal Pension Scheme and other schemes.

**4 Profit on disposal of a property**

During the year, BBC World Service sold a property in Singapore which had been fully depreciated, realising a profit of £3.3 million. With the agreement of the Foreign and Commonwealth Office, the sales proceeds were reinvested in the new transmitter site in Oman.

**5 Taxation****5a Analysis of charge for the period**

The charge for the year is based on a rate of corporation tax of 30% (2001 30%).

	2002 £m	2001 £m
Current year – UK corporation tax	<b>0.2</b>	0.2

**5b Factors affecting the tax charge**

The BBC World Service taxation charge is based primarily on interest receivable. The tax assessed for the year is therefore significantly lower than the standard rate of corporation tax in the UK (30%), as explained below.

	Note	2002 £m	2001 restated £m
Surplus before taxation		<b>10.0</b>	11.9
Surplus before taxation multiplied by the standard rate of corporation tax in the UK of 30% (2001 30%)		<b>3.0</b>	3.6
Effect of non-taxable external income/deductible costs		<b>(2.8)</b>	(3.4)
<b>Current tax charge for the year</b>	5a	<b>0.2</b>	0.2

*Comparative figures for 2001 have been restated for the adoption of FRS 17 (see note 18)*

**5c Factors that may affect future tax charges**

BBC World Service anticipates a similar tax charge in future years as Grant-in-Aid and BBC Monitoring subscription income are not subject to taxation.

**6 Tangible fixed assets**

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
<b>Cost or valuation</b>					
At 1 April 2001	54.7	119.5	4.5	29.3	<b>208.0</b>
Additions	0.9	0.6	0.7	20.4	<b>22.6</b>
Brought into service	0.7	8.4	0.4	(9.5)	<b>–</b>
Disposals	(0.2)	(10.2)	(1.4)	–	<b>(11.8)</b>
<b>At 31 March 2002</b>	<b>56.1</b>	<b>118.3</b>	<b>4.2</b>	<b>40.2</b>	<b>218.8</b>
<b>Depreciation</b>					
At 1 April 2001	27.8	60.6	2.7	–	<b>91.1</b>
Charge for the year	2.3	12.7	0.8	–	<b>15.8</b>
Elimination in respect of disposals	–	(10.1)	(1.3)	–	<b>(11.4)</b>
<b>At 31 March 2002</b>	<b>30.1</b>	<b>63.2</b>	<b>2.2</b>	<b>–</b>	<b>95.5</b>
<b>Net book value</b>					
<b>At 31 March 2002</b>	<b>26.0</b>	<b>55.1</b>	<b>2.0</b>	<b>40.2</b>	<b>123.3</b>
At 31 March 2001	26.9	58.9	1.8	29.3	116.9

BBC World Service's 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. Following the introduction of *FRS 15: Tangible Fixed Assets*, BBC World Service has retained these revalued assets at their valuation as adjusted for depreciation. BBC World Service does not plan to revalue these assets on an ongoing basis.

Assets under construction include £23.6 million (2001 £15.9 million) relating to the construction of the new transmitter site in Oman.

**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 2002 £m	Plant and machinery 2001 £m	Furniture and fittings 2002 £m	Furniture and fittings 2001 £m
Cost	<b>173.0</b>	174.2	<b>6.9</b>	7.2
Depreciation	<b>(124.3)</b>	(122.5)	<b>(4.9)</b>	(5.4)
<b>Net book value</b>	<b>48.7</b>	51.7	<b>2.0</b>	1.8

Included within fixed assets is £24 million at cost relating to a relay station in Thailand. These assets are transferable to the Royal Thai Government in return for the payment of a nominal sum. BBC World Service will retain the right to repurchase the assets, should the operation cease, for a similar nominal sum. The use of these assets is not affected by this transaction and therefore they will continue to be carried at cost less attributable depreciation in the balance sheet.

Land and buildings at net book value comprise:

	2002 £m	2001 £m
Freeholds	<b>15.7</b>	15.5
Short leaseholds	<b>10.3</b>	11.4
	<b>26.0</b>	26.9

The members of the Management Board are satisfied that there has been no impairment in the carrying values of freehold properties at the balance sheet date.

Land and buildings include freehold land at a cost of £4.2 million (2001 £4.2 million) which is not depreciated.

## 7 Investments

BBC World Service holds the following interests in companies, at cost:

	Holding of issued ordinary shares %
<b>Subsidiaries</b>	
BBC East Asia Relay Company Limited (incorporated in Hong Kong)	100
BBC Radiocom (Bulgaria) EOOD (incorporated in Bulgaria)	100
BBC Radiocom (Hungary) KFT (incorporated in Hungary)	100
BBC Radiocom (Praha) s.r.o. (incorporated in the Czech Republic)	100
BBC Radiocom (Slovakia) s.r.o. (incorporated in the Slovak Republic)	100
BBC Romania SRL (incorporated in Romania)	100
BBC Polska Sp. z o.o. (incorporated in Poland)	100
BBC do Brazil Limitada (incorporated in Brazil)	100
BBC Radiocom Deutschland GmbH (incorporated in Germany)	100
BBC Croatia d.o.o. (incorporated in Croatia)	100
BBC World Service Trust*	
<b>Associates</b>	
Caribbean Relay Company Limited (incorporated in Antigua)	45
Multimedia Ventures Limited (incorporated in Great Britain)	50
WRG-FM SA (incorporated in Switzerland)	40

\*The BBC World Service Trust is a charitable company limited by guarantee, of which the BBC is the sole member

BBC World Service held a £1 interest in Ascension Island Commercial Services Limited, representing a holding of 33%. This was sold on 28 March 2002 to the Government of Ascension Island, for £1.

The above companies' results and balances are not material to BBC World Service and therefore consolidated financial statements have not been prepared.

## 8 Stocks

	2002 £m	2001 £m
Work in progress – programmes	0.2	0.2

## 9 Debtors

	2002 £m	2001 £m
<b>Receivable within one year</b>		
Trade debtors	4.3	4.6
Amounts owed by BBC Home Services Group	5.1	0.8
Amounts owed by associates	0.3	0.1
Amounts owed by subsidiaries	0.8	1.0
VAT recoverable	1.9	0.8
Other debtors	0.4	0.6
Prepayments	2.0	2.1
	<b>14.8</b>	<b>10.0</b>



**10 Creditors**

	2002 £m	2001 £m
<b>Amounts falling due within one year</b>		
<b>Trade creditors</b>		
Programme creditors	0.4	0.2
Salaries and wages	2.5	0.9
Other trade creditors	2.4	1.6
	<b>5.3</b>	2.7
<b>Other creditors</b>		
Fixed asset creditors	0.7	1.2
Corporation tax	0.7	0.5
Other	4.0	4.2
	<b>5.4</b>	5.9
	<b>10.7</b>	8.6

**Creditors payment policy**

It is the BBC's policy to comply with the CBI prompt payment code in relation to the payment of suppliers, provided that the supplier is complying with the relevant terms and conditions of their contract. BBC World Service monitors compliance against the terms of this code. BBC World Service's number of creditor days outstanding at 31 March 2002 was 16 (2001 14).

**11 Provisions for liabilities and charges**

	Dilapidations £m	Pension £m	Other £m	Total £m
At 1 April 2001 as previously stated	3.6	0.3	0.6	<b>4.5</b>
Prior year adjustment	—	(0.3)	—	<b>(0.3)</b>
At 1 April 2001 as restated	3.6	—	0.6	<b>4.2</b>
Utilised during the year	—	—	(0.5)	<b>(0.5)</b>
Released during the year	—	—	(0.1)	<b>(0.1)</b>
Charge for the year	—	—	1.1	<b>1.1</b>
<b>At 31 March 2002</b>	<b>3.6</b>	<b>—</b>	<b>1.1</b>	<b>4.7</b>

*The opening balances at 1 April 2001 have been restated for the adoption of FRS 17 (see note 18)*

The dilapidations provision represents a liability to restore Bush House to its original condition on the future move of BBC World Service to Broadcasting House in London, WI.

Other provisions relate to the estimated costs of restructuring.

**12 Reserves**

	Capital reserve £m	Revaluation reserve £m	Operating reserve £m	Total £m
At 1 April 2001 as previously stated	109.7	7.2	7.3	<b>124.2</b>
Prior year adjustment	—	—	0.3	<b>0.3</b>
At 1 April 2001 as restated	109.7	7.2	7.6	<b>124.5</b>
<b>Broadcasting</b>				
Surplus for the financial year	—	—	8.7	<b>8.7</b>
Revaluation reserve transfer	—	(0.8)	0.8	<b>—</b>
Capital reserve transfer	6.3	—	(6.3)	<b>—</b>
	6.3	(0.8)	3.2	<b>8.7</b>
<b>Monitoring</b>				
Surplus for the financial year	—	—	1.1	<b>1.1</b>
Capital reserve transfer	0.9	—	(0.9)	<b>—</b>
	0.9	—	0.2	<b>1.1</b>
<b>At 31 March 2002</b>	<b>116.9</b>	<b>6.4</b>	<b>11.0</b>	<b>134.3</b>

The opening balances at 1 April 2001 have been restated for the adoption of FRS 17 (see note 18)

**13 Reconciliation of operating surplus to net cash inflow from operating activities**

	2002 £m	2001 restated £m
Operating surplus	<b>6.1</b>	11.2
Loss on disposal of tangible fixed assets	<b>0.4</b>	0.9
Depreciation	<b>15.8</b>	14.8
Decrease in stocks	<b>—</b>	0.1
(Increase)/decrease in debtors	<b>(4.8)</b>	1.0
Increase/(decrease) in creditors	<b>2.4</b>	(0.1)
Increase/(decrease) in provisions	<b>0.5</b>	(2.3)
<b>Net cash inflow from operating activities</b>	<b>20.4</b>	25.6

Comparative figures for 2001 have been restated for the adoption of FRS 17 (see note 18)

**14 Analysis of changes in net funds**

	2002 £m	2001 £m
Cash at bank and in hand at the beginning of the year	<b>10.2</b>	7.7
Increase in cash	<b>1.2</b>	2.5
<b>Cash at bank and in hand at the end of the year</b>	<b>11.4</b>	10.2

**15 Commitments****15a Contracts placed for future expenditure**

	2002 £m	2001 £m
Fixed asset additions	<b>19.3</b>	17.3
Programme acquisitions and sports rights	<b>0.3</b>	—
Other	<b>1.5</b>	—
	<b>21.1</b>	17.3

**15b Other financial commitments**

BBC World Service has entered into contracts with Merlin Communications International Limited for a period of ten years commencing March 1997 for the provision of transmission services. The contractual charge for the year ended 31 March 2002 was £30.6 million (2001 £30.2 million).

**15c Operating leases**

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

	Land and buildings 2002 £m	Land and buildings 2001 £m	Plant and machinery 2002 £m	Plant and machinery 2001 £m
Within one year	<b>0.2</b>	0.1	<b>0.1</b>	—
In two to five years	<b>7.2</b>	7.2	<b>0.3</b>	—
	<b>7.4</b>	7.3	<b>0.4</b>	—

On 25 February 2002, BBC World Service entered into an operating lease with BBC Technology Limited for the provision of IT and related equipment in support of the roll-out of digital production methods. Payments under the operating lease are due to commence in April 2003. BBC World Service is committed to making payments of £1.9 million per annum until March 2006.

**16 Contingent liabilities**

BBC Monitoring's operating reserve of £7.2 million (2001 £7.0 million) includes amounts arising as a result of charging a return on capital employed to its stakeholder customers, together with other accumulated excesses of income over expenditure. There are limitations placed upon the use that BBC Monitoring can make of these funds and the return of some funds at some point in the future to HM Government remains a possibility.

In the normal course of business, BBC World Service has a number of contingent liabilities arising from litigation. BBC World Service provides for an estimate of probable damages and costs.

**17 Related party transactions**

The related party transactions of BBC World Service have been presented in accordance with *FRS 8: Related Party Disclosures*.

**17a Transactions with subsidiaries**

At 31 March 2002 BBC World Service Trust owed BBC World Service £0.8 million (2001 £1.0 million) in respect of operating expenses incurred on its behalf.

BBC World Service made grants of £0.4 million (2001 £0.5 million) during the year to the BBC World Service Trust, towards education projects and general management and administration costs.

## **17 Related party transactions** (continued)

### **17b Transactions with associates**

At 31 March 2002 the Caribbean Relay Company owed BBC World Service £0.3 million (2001 £0.1 million), being funds transferred in respect of working capital requirements.

BBC World Service sold its interest in Ascension Island Commercial Services Limited on 28 March 2002 to the Government of Ascension Island. At 31 March 2002 Ascension Island Commercial Services Limited owed BBC World Service £0.1 million (2001 £0.5 million), being the net of payments and receipts processed on their behalf.

### **17c Transactions with key management**

During the year there were no disclosable transactions with key management.

### **17d Other transactions**

During the year BBC Home Services Group charged BBC World Service net costs of £131.3 million in respect of operating costs. Net costs of £148.3 million were charged in 2001, but this included capital costs that BBC World Service has paid directly to suppliers in 2002. At 31 March 2002 BBC World Service was owed £5.1 million (2001 £0.8 million) by BBC Home Services Group.

## **18 Restatement of comparative figures**

The adoption of *FRS 17: Retirement Benefits* has required changes in the accounting for pension costs. As a result, comparative figures for 2001 have been restated.

The annual pension charge for 2001 has been reduced by £1.5 million, being the portion of the SSAP 24 charge which was not paid over in cash contributions to the pension scheme.

The opening prepayment at 1 April 2000 of £1.2 million, in respect of prepaid pension contributions, was reversed, as was the closing provision at 31 March 2001 of £0.3 million.

The adoption of *FRS 17* has a similar effect on the income and expenditure account for the year ended 31 March 2002.



# Reports on compliance and regulatory matters

Responsibility for BBC World Service is vested in the BBC Board of Governors appointed under the BBC Royal Charter. The Governors have clear responsibilities under the BBC's Charter to ensure that BBC World Service operates responsibly and follows all applicable regulations and codes of practice. They must satisfy themselves that BBC World Service:

- + complies with all legal obligations
- + has an appropriate management structure
- + maintains adequate controls to protect its assets
- + adheres to the BBC's own guidelines and codes of practice

This and the following pages contain reports on BBC World Service's policies, procedures and compliance as follows:

## **1 Statement of Board of Governors and BBC World Service Management Board responsibilities for the preparation of the financial statements**

## **2 Report of the independent auditors to the Governors of the BBC**

## **3 Governors' report on BBC World Service Trading Protocols**

## **4 Corporate governance**

## **5 Remuneration report**

## **6 People**

## **7 Political donations and gifts**

## **1 Statement of Board of Governors and BBC World Service Management Board responsibilities for the preparation of the financial statements**

The Governors and Management Board are required by the BBC's Charter and Agreement and the Financial Memorandum with the Foreign and Commonwealth Office to prepare financial statements for each financial year which give a true and fair view of the state of affairs of BBC World Service and of its income and expenditure for that period. In preparing those financial statements, the Governors and Management Board are required to:

- + select suitable accounting policies and then apply them consistently
- + make judgements and estimates that are reasonable and prudent
- + state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements
- + prepare the financial statements on a going concern basis unless it is inappropriate to do so

In addition, the Governors and Management Board have voluntarily decided to comply with the accounting and disclosure provisions of the Companies Act 1985 and, where applicable, of the Financial Services Authority Listing Rules.

The Governors and Management Board are also responsible for keeping adequate accounting records and taking such steps as are reasonably open to them to safeguard the assets of BBC World Service and to prevent and detect fraud and other irregularities.

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

We have audited the financial statements on pages 28 to 42.

### **Respective responsibilities of the Governors and BBC World Service Management Board and auditors**

The Governors and Management Board are responsible for preparing the Annual Review including, as described above, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors are established in the United Kingdom by statute, by the Auditing Practices Board, our profession's ethical guidance and, in accordance with the terms of our appointment, the Companies Act 1985.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the financial review on page 27 is not consistent with the financial statements, if BBC World Service has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Management Board remuneration and transactions with BBC World Service is not disclosed.

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

In addition to our audit of the financial statements, the Governors and Management Board have instructed us to review their corporate governance statement as if BBC World Service were required to comply with the Listing Rules of the Financial Services Authority in relation to these matters. We review whether the statement on pages 45 to 48 reflects BBC World Service's compliance with the seven provisions of the Combined Code specified for audit review by those rules, and we report if it does not. We are not required to form an opinion on the effectiveness of BBC World Service's corporate governance procedures or its internal controls.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Governors and Management Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to BBC World Service'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 BBC World Service at 31 March 2002 and of the surplus of BBC World Service for the year then ended and have been properly prepared in accordance with the provisions of the BBC's Charter and Agreement, the Financial Memorandum and the provisions of the Companies Act 1985 as if those provisions had applied to these financial statements.

### **KPMG**

Chartered Accountants, Registered Auditors, London  
20 June 2002

### **3 Governors' report on BBC World Service Trading Protocols**

BBC World Service is responsible for commissioning and scheduling its own programmes and for making programmes for its language services, but purchases English language programme-making and technical and support services from other divisions and subsidiaries of the BBC (the supplier divisions).

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

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

- + the services to be provided
- + criteria to ensure the quality of the services
- + the cost of the services

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

KPMG (the external auditors) have reviewed a summary of the value of transactions and the related cash flows which have taken place during the year between BBC World Service and the supplier divisions. KPMG have reported to the Governors that, in their opinion, the information contained in the summary of transactions for the year ended 31 March 2002 has been properly extracted from the books and records of the supplier divisions and has been properly prepared on the bases of cost allocation and apportionment methods set out in the agreements between BBC World Service and the supplier divisions and that, on this basis, there has been no material cross-subsidy between Grant-in-Aid and licence fee funds.

#### **Governors' statement on BBC World Service Trading Protocols**

Following regular reports to the FTCC by the Head of Fair Trading, and internal and external auditors, the Governors are satisfied that:

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

### **4 Corporate governance**

#### **BBC World Service's commitment**

The BBC, including BBC World Service, has an obligation under its Charter to apply the highest standards of corporate governance.

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

The *Combined Code*, issued by the London Stock Exchange in June 1998, sets out principles of good governance. BBC World Service voluntarily complies with the *Combined Code* to the extent it is applicable. The requirements of the *Combined Code* apply to BBC World Service with the following exceptions:

- + **those requirements relating to shareholders**  
BBC World Service is not accountable to external shareholders. Rather, through the stewardship of the Governors, it is accountable to the FCO, to Parliament and to taxpayers.

#### **4 Corporate governance (continued)**

##### **+ those requirements relating to non-executive directors, remuneration and audit committees**

The Governors consider that BBC World Service should comply with the *Combined Code* in a manner which is common practice for an entity whose parent is complying with it. Hence the Governors do not consider it appropriate for BBC World Service to have separate non-executive directors or remuneration and audit committees from those established by the BBC, or to disclose the remuneration of the members of the BBC World Service Management Board, except to the extent that this is required by the Companies Act 1985.

Details of how BBC World Service has applied the remuneration principles are covered separately within the remuneration report on page 49.

##### **Board structure**

The structure of the BBC World Service Management Board is shown on page 25. As explained above, BBC World Service does not have any non-executive directors. However, the Management Board is represented on the BBC's Executive Committee and is accountable to the Governors who constitute the members of the Corporation and act as trustees for the public interest.

The Governors are appointed by the Queen on advice of ministers. They are appointed for a term of four years and are independent of BBC executive management. A register of interests of the Governors is maintained and may be inspected by written application to the Secretary of the BBC.

The Board of Governors refers some matters relevant to BBC World Service to its sub-committees as follows:

- + Audit Committee
- + Fair Trading Compliance Committee
- + Remuneration Committee

The Governors' World Service Consultative Group also provides the Governors with independent external advice on the range and quality of BBC World Service output.

During the year, the Chairman of the Governors conducted a review of the governance arrangements of the BBC. As a result, from 2 April 2002 the distinction between the roles and responsibilities of the Governors and the BBC Executive Committee has been clarified and enhanced. In particular, the Governance and Accountability department now provides greater independent support to the Governors.

The BBC World Service Management Board meets every two weeks. Other members of management attend as required.

A formal schedule of matters is reserved for Management Board decisions. This includes:

- + considering management structure and senior management responsibilities
- + agreeing membership and terms of reference of board committees and task forces and receiving minutes, reviewing decisions taken and deciding action on recommendations
- + agreeing contracts with major suppliers
- + deciding significant staff and industrial relations issues
- + agreeing business strategy
- + approving financial statements
- + approving annual budgets, subject to final approval by the Governors
- + agreeing a code of ethics and business practice, establishing an overall framework for proper controls

Management Board members are given appropriate documentation in advance of each Board meeting. The Management Board members have access to the advice and services of the BBC World Service Secretary who is responsible for ensuring that Board procedures are followed.



#### **4 Corporate governance** (continued)

##### **Relationship with Foreign and Commonwealth Office (FCO)**

BBC World Service Broadcasting is primarily funded by parliamentary Grant-in-Aid received through the FCO. BBC Monitoring is funded by stakeholder subscriptions. The relationship between the FCO and BBC World Service is defined in the FCO/BBC World Service Broadcasting Agreement which sets out the aims and objectives of BBC World Service and provisions for performance assessment. The financial arrangement with the FCO is set out in the FCO/BBC World Service Financial Memorandum.

##### **Accountability and internal control**

###### ***Financial reporting and going concern***

The respective responsibilities of the Governors, Management Board and the external auditors are set out on page 44.

A review of the financial position of BBC World Service is included in the financial review on page 27. This, together with the director's overview on pages 4 to 5, provides an assessment of BBC World Service's performance and current position.

The going concern basis has been adopted in the preparation of the financial statements as the Governors and Management Board believe that BBC World Service will continue to receive adequate resources to continue its operations for the foreseeable future.

###### ***Internal control***

The BBC World Service Management Board is responsible for maintaining an adequate system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Governors and Management Board consider that there is an ongoing process for identifying, evaluating and managing significant risks faced by BBC World Service. This process has been in place for the year ended 31 March 2002 and up to the date of approval of this report and financial statements. As part of the BBC's overall risk management process it has been reviewed by the Governors and BBC Executive Committee and accords with the guidance set out in the ICAEW's guidance for directors *Internal Control: Guidance for directors on the Combined Code*.

The key control procedures operating during the year are described below:

###### **+ risk management**

The Management Board is responsible for identifying and managing risk on an ongoing basis. BBC World Service has a formally constituted Internal Control Committee (ICC), comprising the members of the Management Board, World Service Financial Controller and a representative of BBC Internal Audit. The ICC meet three times a year to update their assessment of BBC World Service's exposure to risk, and the extent to which these risks are controlled.

###### **+ monitoring of controls**

BBC Internal Audit undertakes testing of control systems and compliance with core business processes, based on a regularly updated assessment of key risks and issues facing BBC World Service.

###### **+ business unit controls**

Management have defined the controls and procedures with which each business unit is required to comply. Key controls over major business risks include performance review and exception reporting. Reviews by BBC Internal Audit monitor the operation of controls.

#### **4 Corporate governance (continued)**

##### **+ business continuity**

In common with other organisations, the events of September 11th led BBC World Service to review its arrangements for dealing with unplanned contingencies. The Controller, Distribution and Technology, has initiated a review of broadcasting contingency arrangements, including those in respect of overseas activities.

##### **+ computer systems**

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

##### **+ controls over outsourced transaction processing**

The majority of BBC World Service's financial transaction processing is outsourced to a service company, Medas, which is independent of the BBC. The Finance and Business Development Director has established monitoring procedures to review the performance of Medas on a regular basis. These include regular review by BBC Internal Audit in a programme of work based on a continuing assessment of key risks and issues.

##### **+ whistle-blowing**

The BBC has put in place a 'whistle-blowing' policy. This policy facilitates the anonymous communication to the BBC of any incident in which there is a suspicion that there has been wrongdoing. The process is administered by an independent external company to ensure anonymity. Each reported incident is investigated, a response communicated and action taken as appropriate.

##### **+ financial reporting and controls**

There is a comprehensive budgeting system with an annual budget approved by the Governors, prepared in line with the BBC World Service Three Year Plan. Monthly financial information is reported against budget figures, with corrective action being taken by the Management Board as appropriate. All capital expenditure over certain upper thresholds must be approved by a BBC investment approval committee and, in some cases, by the FCO and HM Treasury. In April 2001 BBC World Service successfully implemented new financial and business processes and software, as part of the BBC-wide SAP implementation.

#### **Governors' Audit Committee**

Matters relating to BBC World Service are also considered by the Governors' Audit Committee, which comprises four of the Governors.

The Audit Committee meets four times a year and is charged with reviewing the effectiveness of internal control; approving and monitoring the BBC Internal Audit work plan; considering issues arising from Internal Audit's work; reviewing management's response to internal control issues; approving the external audit fee; considering the external audit strategy and plans; reviewing the external auditors' reports; and reviewing and approving the financial statements.

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

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

BBC World Service has complied throughout the year ended 31 March 2002 with the specific provisions in section 1 of the *Combined Code* with the exception of those provisions relating to non-executive directors, remuneration and audit committees and shareholder requirements which, as discussed earlier, are not applicable to BBC World Service.

## 5 Remuneration report

This report explains the remuneration policy of the BBC for the BBC World Service Management Board. Details of Management Board remuneration are included within Note 3c to the financial statements on page 35.

During 2001, the Governors approved the establishment of a sub-committee of the Board to act as a Remuneration Committee. This committee exists to deal with all matters relating to the remuneration of members of the BBC Executive Committee, including the remuneration package for the Director, BBC World Service and Global News. The remuneration of other members of the Management Board is recommended by the Director and approved by the BBC Director-General.

The Director assesses the performance of the Management Board members before recommending their annual remuneration and bonus awards. BBC World Service's HR Director provides technical support to the Director in this respect, but has no input into decisions affecting her own remuneration.

The BBC aims to ensure that the packages offered to Management Board members:

- + enable BBC World Service to attract, retain and motivate high-calibre executives
- + remunerate individuals fairly for individual responsibility and contribution, while providing an element of performance-related pay, reflecting the underlying performance of BBC World Service
- + take into account salary policy within the rest of the BBC and the relationship that should exist between the remuneration of Management Board members and that of other employees

The remuneration arrangements for Management Board members include the following components:

### Basic salary

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

### Annual bonus

Management Board members are eligible to receive a bonus of up to 10% of basic salary for meeting certain performance targets. Qualitative and quantitative objectives are set at the beginning of the financial year, and performance is reviewed at the end of the year. As a member of the BBC Executive Committee, the Director, BBC World Service and Global News, participates in a performance-based annual bonus scheme under which payments may be awarded of up to 30% of basic salary. Bonuses are reflected in the financial statements on an accruals basis for the performance period under review. Actual payments are made in August each year.

### Benefits

The Director is eligible for a company car and fuel for private use. Other Management Board members are eligible for a company car and some members are entitled to fuel for private use. All Management Board members are eligible for medical insurance covering the executive and family and, where there is a business need, digital reception equipment.

### Pensions

Management Board members are eligible to participate in the BBC Pension Scheme, which provides salary-related pension benefits on a defined benefit basis, with an accrual rate of 1/60th of final salary per year of service, subject to the Inland Revenue earnings cap where applicable. Only basic salary is pensionable. The scheme provides for early retirement on medical grounds and life insurance cover of four times salary.

## 6 People

Alongside the *One BBC* approach launched by Greg Dyke in April 2000, BBC World Service has continued to seek opportunities for greater collaboration with the Home Services. The events of September 11th and the conflict in Afghanistan have highlighted the real expertise in international news of BBC World Service staff and have provided the opportunity for unprecedented co-operation across the BBC.

As part of the BBC *Making It Happen* initiative, BBC World Service's Jerry Timmins is championing the *Valuing People* element which is focused on supporting people across the BBC to reach their full potential.

BBC Monitoring achieved Investors in People accreditation during the year, as did the rest of the BBC. This follows World Service Broadcasting accreditation gained in 2000.

### Training and development

BBC World Service invested £1.7 million in training and development during the year. Staff in all areas have access to a growing range of opportunities through coaching, courses, workshops, online learning and secondments. Succession and development planning will be addressed as a priority in the coming year.

### Employee relations and communication

BBC World Service has a system of regular liaison meetings with the NUJ (National Union of Journalists) and BECTU (Broadcasting Entertainment Cinematograph and Theatre Union).

The BBC Forum provides all BBC staff with an important platform to discuss issues with senior managers. There is one elected member to the BBC Forum from BBC World Service.

BBC World Service participates in the BBC annual survey of staff opinion and last year achieved an excellent or above average rating in 68% of the items in the survey. The system of core briefing is strong with almost 80% of staff receiving a face to face briefing from their manager each month.

### Health and safety

A particular challenge this year, brought into special focus by the events in Afghanistan, has been to ensure adequate and timely safety training for all staff deployed into hostile environments. Accordingly, over 200 journalists have received full hostile environment training during the year.

### Diversity

BBC World Service is committed to developing a diverse workforce, with opportunities for all, irrespective of race, colour, creed, ethnic or national origin, gender, marital status, disability or age.

#### *Proportion of people from ethnic minorities in the BBC World Service workforce*

The composition of the workforce of BBC World Service reflects the multi-lingual nature of its broadcasting and therefore exceeds the BBC's targets. As these targets had already been exceeded, the aim for the year was, as a minimum, to maintain the proportion of ethnic minorities in the BBC World Service workforce.

	At 31 March 2002 %	At 31 March 2001 %	BBC group target for 2003 %
Staff working in the United Kingdom	27.8	27.4	10
Senior managers working in the United Kingdom	5.0	7.9	4

## 6 People (continued)

### *Proportion of women in BBC World Service management*

	<b>At 31 March 2002 %</b>	At 31 March 2001 %	BBC group target for 2003 %
Senior executives	<b>22.5</b>	30.6	30
Senior managers	<b>29.2</b>	30.5	40
Middle management and senior professionals	<b>36.7</b>	37.7	40

The decrease in the proportion of women senior executives was due to two women at this level leaving BBC World Service during the year.

The BBC World Service diversity action plan includes a number of initiatives to encourage the greater representation of minority ethnic groups and women at senior levels. These include a specially tailored development programme, English language training and a secondment scheme which offered nearly 70 staff work experience outside their own area.

New BBC guidelines have been produced on recruiting and employing disabled people, ensuring that the legal responsibilities laid down in the Disability Discrimination Act are met in full. A particular challenge for the coming year is to increase the representation of disabled people within BBC World Service. In this respect, BBC World Service is participating in the BBC's *Extend* work experience scheme, which offers three months' work experience for qualified disabled people.

## 7 Political donations and gifts

BBC World Service does not make political donations.

The Financial Memorandum permits BBC World Service to make gifts of equipment and services. Government accounting guidelines on gifts must be followed with Foreign and Commonwealth Office (FCO) approval required for gifts of a value exceeding £10,000. Gifts of cash, of whatever value, cannot be made without the prior agreement of the FCO.

No gifts were made during the year.



## Further information

### **BBC World Service**

Bush House, Strand, London WC2B 4PH, UK  
Telephone **+44 (0)20 7240 3456**  
Fax **+44 (0)20 7557 1258**  
E-mail **worldservice@bbc.co.uk**  
Website **www.bbc.co.uk/worldservice**

### **Radio Schedules and Frequencies**

For information visit  
**www.bbc.co.uk/worldservice/schedules**

If you have any comments or suggestions about BBC World Service programmes in any language, or would like further details about how to receive them, please contact Audience Relations at the above address. Listeners in English can also air their views in the Write On programme. E-mail **writeon@bbc.co.uk**

### **BBC On Air Network**

To keep you up-to-date with our schedules and frequencies, BBC World Service and BBC On Air magazine now offer a free e-mail service called BBC On Air Network. You can choose e-mail updates on topics such as sport, science, world affairs and arts each month. We will also send you scheduling information to keep you in touch with all that's new from the World Service. Joining is simple. Just e-mail **onair.network@bbc.co.uk**

### **BBC Monitoring**

Caversham Park, Reading RG4 8TZ, UK  
Telephone **+44 (0)1189 486 000**  
Fax **+44 (0)1189 462 927**  
E-mail **csu@mon.bbc.co.uk**  
Website **www.monitor.bbc.co.uk**

### **BBC World Service Press Office – media enquiries including BBC Monitoring**

Telephone **+44 (0)20 7557 2941**  
Fax **+44 (0)20 7557 1912**

### **BBC On Air magazine – international magazine and programme guide**

Telephone **+44 (0)20 7557 2211**  
E-mail **on.air.magazine@bbc.co.uk**  
Website **www.bbc.co.uk/worldservice/onair**

### **BBC Focus on Africa magazine**

Telephone **+44 (0)20 7557 2906**  
E-mail **focus.magazine@bbc.co.uk**  
Website **www.bbc.co.uk/worldservice/focus**

### **BBC English – information on learning English materials radio and online**

Telephone **+44 (0)20 7557 1200**  
Fax **+44 (0)20 7557 1311**  
E-mail **bbc.english@bbc.co.uk**  
Website **www.bbc.co.uk/learningenglish**

### **BBC World Service Shop**

The BBC World Service Shop and Information Centre at Bush House sells an exclusive range of World Service gift items, along with BBC books, videos, audio cassettes and a range of short wave radios. Information on BBC radio and television programmes is available. There is a mail order and online shopping service for the UK only.

Telephone **+44 (0)20 7557 2576**  
Fax **+44 (0)20 7240 4811**  
E-mail **worldservice.shop@bbc.co.uk**  
Website **www.bbcshop.com**

### **BBC Training and Development, World Service**

Telephone **+44 (0)20 7557 2200**  
Fax **+44 (0)20 7497 0288**  
E-mail **wstraining@bbc.co.uk**

### **BBC World Service Trust**

Telephone **+44 (0)20 7557 2462/3**  
Fax **+44 (0)20 7379 1622**  
E-mail **ws.trust@bbc.co.uk**  
Website **www.bbc.co.uk/worldservice/trust**

### **Annual Review online**

You can access a version of the BBC World Service Annual Review 2001/02 online at **www.bbc.co.uk/worldservice/aboutus**



© Associated Press

01.04.01

BBC World Service provided full coverage of former Yugoslav president Slobodan Milosevic's trial at The Hague

**BBC World Service**

Bush House  
Strand  
London WC2B 4PH  
UK

Telephone +44 (0)20 7240 3456  
Fax +44 (0)20 7557 1258  
[worldservice@bbc.co.uk](mailto:worldservice@bbc.co.uk)  
[www.bbc.co.uk/worldservice](http://www.bbc.co.uk/worldservice)

© BBC 2002

**Front Cover**

**09.12.01** BBC World Service Trust and the Pashto and Persian services teamed up in response to the humanitarian crisis in Afghanistan after September 11th. They produced Afghan Lifeline, programmes for refugees which included survival and educational information.

© Tim Dirven/Panos Ltd