

Notes to the financial statements

for the year ended 31 March

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

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

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

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

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

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

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

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

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

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

1b Analysis of public services' income

	Note	Home Services Group £m	BBC World Service £m	Total public services £m
2002				
Licence fee	1c	2,533.0	–	2,533.0
Grant-in-Aid		–	187.9	187.9
Open University		7.7	–	7.7
Subscriptions		–	15.6	15.6
Other income		27.2	7.2	34.4
Total external income		2,567.9	210.7	2,778.6
2001				
Licence fee		2,370.8	–	2,370.8
Grant-in-Aid		–	181.8	181.8
Open University		9.1	–	9.1
Subscriptions		–	15.3	15.3
Other income		26.4	7.4	33.8
Total external income		2,406.3	204.5	2,610.8

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

1c Licence fee

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

Other licence fee income and adjustments include the year-on-year impact of licences issued in the year but not in force at 31 March either through late or early renewals or through refunds.

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

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

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

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

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

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

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

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

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

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

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

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

1e Geographical analysis of activity of public services

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

1f Analysis of commercial businesses' income by activity

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

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

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

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

1g Geographical analysis of activity of commercial businesses

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

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

2 Operating expenditure

2a Analysis of operating expenditure by activity

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

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

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

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

2b Home Services Group expenditure

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

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

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

2b Home Services Group expenditure *continued*

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

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

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

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

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

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

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

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

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

2c BBC World Service expenditure

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

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

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

2d Commercial businesses' expenditure

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

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

3 Operating deficit

The operating deficit is stated after charging the following items:

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

4 Employees and remuneration

4a Persons employed

The average number of persons employed in the year was:

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

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

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

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

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

4b Staff costs

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

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

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

4c Remuneration of the Board of Governors and Executive Committee

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

5 Profit and losses on sale and termination of operations

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

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

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

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

6 Profit on disposal of fixed assets

6a Profit on disposal of intangible fixed assets

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

6b Profit/loss on disposal of tangible fixed assets

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

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

6c Profit on disposal of investments

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

7 Net interest receivable

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

8 Pensions

8a Pension charge

The Group operates several pension schemes. The BBC Pension Scheme and a small unfunded pension scheme, which is closed to new members, are contributory defined benefit schemes. Additionally a Group personal pension scheme and other small schemes provide staff with a defined contribution scheme. The total pension charge included within operating costs for the year under all schemes is £179.5million (2001 £156.8million).

8b Principal scheme

The BBC Pension Scheme is the main pension scheme of the BBC Group and covers the majority of employees. This scheme provides salary-related pension benefits on a defined benefit basis from assets held in separate, trustee-administered, funds.

The scheme is subject to independent valuation by a professionally qualified actuary at least every three years, on the basis of which the actuary certifies the rate of employer's contributions. These, together with the specified contributions payable by employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable under the scheme. The most recent full actuarial valuation of the scheme was prepared as at 1 April 1999 by Watson Wyatt, consulting actuaries, using the projected unit method. An interim valuation has been produced by Watson Wyatt as at 31 March each year. The major assumptions used by the actuary at each valuation were:

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

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

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

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

8b Pensions *continued*

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

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

A deferred tax asset will not arise for the Group, mainly due to the fact that most of the Group's public service activity is not subject to taxation.

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

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

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

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

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

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

8b Pensions *continued*

History of experience gains and losses

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

Home Services

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

8c Other schemes

The small unfunded pension scheme is valued using assumptions which are the same as those for the main scheme. At 31 March 2002 the obligation was £3.9million (2001 £3.7million) which is fully provided for in the accounts. The current cost for the year for this scheme was £0.2million (2001 £0.8million).

The total charge for the Group personal pension scheme and other defined contribution schemes totalled £2.1million (2001 £2.0million).

9 Taxation

9a Analysis of charges for the period

The charge for the year, based on a rate of corporation tax of 30% (2001 30%), comprised:

	Note	2002 £m	2001 £m
Current tax			
UK corporation tax		9.8	9.2
Adjustments in respect of previous years		–	(5.9)
		9.8	3.3
Foreign tax		7.6	6.3
Share of associates tax		0.3	0.3
Total current tax	9b	17.7	9.9
Deferred tax			
Origination and reversal of timing differences		2.8	1.8
Adjustments in respect of previous years		(2.8)	(2.1)
Total deferred tax	9d	–	(0.3)
Charge for the year		17.7	9.6

9b Factors affecting the tax charge

The Group is only liable to taxation on those activities carried out with a view to making a profit and on rent, royalties and interest receivable. The BBC does not therefore receive relief for all its expenditure, and the tax assessed for the year consequently differs from the standard rate of corporation tax in the UK. The differences are explained below:

	Note	2002 £m	2002 £m	2001 £m	2001 as restated £m
Surplus before tax			2.9		84.6
Surplus before tax multiplied by standard rate of corporation tax in the UK of 30% (2001 30%)			0.9		25.4
Effects of					
Public services taxable external income			6.5		7.5
FRS 17 net Group pension charge/(credit)			5.2		(10.9)
Prior year adjustment for adoption of FRS 17	26a		–		(9.5)
Commercial activities					
Non-taxable income		(3.9)		(4.5)	
Disallowed expenditure		1.6		1.6	
Depreciation in excess of capital allowances		1.8		1.5	
Non-taxable profit on sale of shares		–		(1.5)	
Tax losses not Group relieved		1.4		3.4	
Tax differential re overseas earnings		4.4		2.1	
Other		(0.2)		0.7	
Adjustments in respect of previous periods		–		(5.9)	
			5.1		(2.6)
Current tax charge for the year	9a		17.7		9.9

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

9c Factors that may affect future tax charges

The Group anticipates that the future tax charge will not alter materially since all licence fee income is free of tax.

9d Deferred tax analysis

In accordance with FRS 19, *Deferred tax*, the Group provides for all deferred tax liabilities in full but does not recognise deferred tax assets.

Deferred tax provision	Note	2002 £m	2001 £m
Provision at start of year		–	0.5
Exchange adjustment		–	(0.2)
Deferred tax (credit)/charge	9a	–	(0.3)
Provision at end of year		–	–
Deferred tax asset/(liability) not provided			
Accelerated capital allowances		1.5	0.2
Pension accruals		–	(1.0)
Other timing differences		0.8	–
US timing differences		1.8	0.8
		4.1	–

Goodwill is the difference between the value paid for a business and the fair value of its net assets. It represents the amount the purchaser is prepared to pay for the name and reputation of the business and its expected future profit streams.

10 Intangible fixed assets

	Intellectual property rights £m	Goodwill £m	Total £m
Cost			
At 1 April 2001	–	0.5	0.5
Additions	8.7	7.6	16.3
At 31 March 2002	8.7	8.1	16.8
Amortisation			
At 1 April 2001	–	–	–
Charge for the year	1.1	0.3	1.4
At 31 March 2002	1.1	0.3	1.4
Net book value			
At 31 March 2002	7.6	7.8	15.4
At 31 March 2001	–	0.5	0.5

Goodwill of £6.8million has arisen on the acquisition of Chivers Communications Limited (see Note 11).

An adjustment has been made to goodwill on Cover to Cover Cassettes Limited to reflect increased loan note obligations of £0.8million. The adjustment is included within additions for the year.

Goodwill is amortised on a straight line basis over 20 years reflecting the useful economic life, subject to reviews for impairment.

BBC Technology acquired the intellectual property rights to use software licences for £8.7million during the year. These are amortised on a straight line basis over three years reflecting the life of the licence.

11 Acquisitions

On 2 July 2001 the Group acquired 100% of the share capital of Chivers Communications Limited for £9.1million. In addition, further deferred consideration of £0.8million has been provided in respect of the acquisition of Cover to Cover Cassettes Limited, acquired on 1 December 2000.

	Fair value £m
Tangible fixed assets	0.6
Current assets	1.7
	2.3
Goodwill	7.6
Fair value of net assets acquired	9.9
Satisfied by:	
Cash consideration	9.1
Deferred consideration	0.8
Total consideration	9.9
The net outflow of cash in respect of the purchase of subsidiary undertakings is as follows:	
Cash consideration	9.1
Overdrafts of subsidiary undertakings purchased	0.9
	10.0

Chivers Communications contributed turnover of £10.3million and operating profit of £1.1million to the results for the year ended 31 March 2002. The company made an operating profit of £0.3million from the beginning of the financial year, 1 February 2001, to the date of acquisition. In its previous financial year the operating profit was £0.4million. There is no difference between the book value, as recorded in the records of Chivers Communications prior to the acquisition, and the fair value of the assets acquired.

12 Tangible fixed assets

12a The Group

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2001	533.1	790.5	119.9	91.1	1,534.6
Reclassification	–	0.7	(0.7)	–	–
Acquisitions	0.4	0.1	0.1	–	0.6
Additions	4.3	74.9	9.6	96.0	184.8
Brought into service	10.0	49.4	3.7	(63.1)	–
Disposals	(89.9)	(39.3)	(10.2)	(17.6)	(157.0)
At 31 March 2002	457.9	876.3	122.4	106.4	1,563.0
Depreciation					
At 1 April 2001	192.8	465.9	58.9	–	717.6
Reclassification	–	0.5	(0.5)	–	–
Charge for the year	14.3	104.3	14.1	–	132.7
Elimination in respect of disposals	(8.1)	(30.6)	(9.4)	–	(48.1)
At 31 March 2002	199.0	540.1	63.1	–	802.2
Net book value					
At 31 March 2002	258.9	336.2	59.3	106.4	760.8
At 31 March 2001	340.3	324.6	61.0	91.1	817.0

Home Services' plant and machinery was revalued at 31 March 1993, prior to the introduction of the internal market. The valuation was based on the estimated current replacement cost of the assets, adjusted for service potential.

BBC World Service's plant and machinery and furniture and fittings were revalued at 1 April 1996 on the same basis.

Following the introduction of FRS 15, *Tangible fixed assets*, the assets were retained at their valuation as adjusted for depreciation. The Group does not plan to revalue assets on an ongoing basis. There is no material difference between the net book value of tangible fixed assets included in the previous table and their value as determined on a historical cost basis.

Included within plant and machinery are £19.6million (2001: £nil) of assets held under finance leases.

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

12b Home Services

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2001	386.8	313.8	68.8	44.5	813.9
Additions	3.0	16.6	7.3	57.3	84.2
Brought into service	7.0	22.9	3.1	(33.0)	–
Transfers from subsidiaries	7.0	94.2	17.9	1.7	120.8
Disposals	(3.8)	(18.1)	(3.8)	(15.4)	(41.1)
At 31 March 2002	400.0	429.4	93.3	55.1	977.8
Depreciation					
At 1 April 2001	155.4	174.0	18.1	–	347.5
Charge for the year	10.8	43.9	10.0	–	64.7
Transfers from subsidiaries	2.8	45.3	16.2	–	64.3
Elimination in respect of disposals	(0.8)	(15.7)	(3.0)	–	(19.5)
At 31 March 2002	168.2	247.5	41.3	–	457.0
Net book value					
At 31 March 2002	231.8	181.9	52.0	55.1	520.8
At 31 March 2001	231.4	139.8	50.7	44.5	466.4

Transfers from subsidiaries represents assets transferred from BBC Resources on the re-integration of a significant part of BBC Resources into the Home Services in April 2001.

Included within plant and machinery are £19.8million (2001 £nil) of assets held under finance leases with another Group company.

12c Land and buildings at net book value comprise:

	Group 2002 £m	Group 2001 as restated £m	Home Services 2002 £m	Home Services 2001 as restated £m
Freeholds	226.0	307.9	210.1	211.8
Long leaseholds	9.9	10.2	9.9	10.2
Short leaseholds	23.0	22.2	11.8	9.4
	258.9	340.3	231.8	231.4

During the year a review of all long and short leasehold buildings was carried out which resulted in some reclassifications. The prior year comparatives have been restated in accordance with this review.

There has been no impairment in the carrying values of freehold properties at the balance sheet date.

Land and buildings in the Group include freehold land at a cost of £34.8million (2001 £64.7million) and in the Home Services £30.6million (2001 £30.4million), none of which is depreciated.

13 Investment in programmes for future sale

	Group £m
Cost	
At 1 April 2001	289.2
Exchange adjustment	1.3
Additions	83.2
Disposals	(3.1)
Financing benefit	(0.6)
Elimination of programmes fully amortised	(46.2)
At 31 March 2002	323.8
Amortisation	
At 1 April 2001	172.0
Exchange adjustment	1.0
Charge for the year	86.4
Disposals	(1.2)
Elimination of programmes fully amortised	(46.2)
At 31 March 2002	212.0
Net book value	
At 31 March 2002	111.8
At 31 March 2001	117.2

Investment by BBC Worldwide in programmes for future sale relates to programmes provided by the BBC and external producers. The additions figure above includes £80.5million direct investment in BBC programmes.

Included in the net book value is £4.2million relating to investments held under a licence agreement (2001 £3.7million). The financing benefit relates to monies received for tax credits on investments in sale and leaseback programmes.

14 Other investments (including BBC World Service net assets)

14a Movements in the year for the Group

	Interests in joint ventures Note 14d £m	Interests in associates Note 14e £m	Other investments £m	Total Group £m
At 1 April 2001	0.4	1.0	0.4	1.8
Additions	2.2	3.6	–	5.8
Goodwill	9.2	–	–	9.2
Share of retained profits/(losses)	4.7	(28.2)	–	(23.5)
Dividend received	(0.5)	(0.6)	–	(1.1)
Adjustment to reflect effective obligations	(4.5)	29.1	–	24.6
At 31 March 2002	11.5	4.9	0.4	16.8

In October 2001, the BBC formed a joint venture with Land Securities Trillium (LST), the Insight Property Partnership, which will provide a range of property and development services to the BBC. The BBC contributed partnership capital of £100 to the Insight Property Partnership, giving rise to goodwill of £9.2million. In addition, the BBC entered into a related partnership with LST which will develop part of the White City site, the White City Development Partnership. The cost of the BBC's investment in this associate was £3.6million and no goodwill arose.

In March 2002, the BBC and LST acquired an additional property in the White City area through a separate joint venture. The BBC contributed £2.2million cash to the joint venture to purchase the property. No goodwill arose on the creation of this joint venture.

14b Movements in the year for Home Services

	Interest in BBC World Service net assets as restated £m	Shares in subsidiaries £m	Interests in joint ventures £m	Other investments £m	Total £m
At 1 April 2001	124.5	92.3	–	122.7	339.5
Accumulated surplus	9.8	–	–	–	9.8
Additions	–	63.0	9.2	–	72.2
Disposals	–	–	–	(122.3)	(122.3)
At 31 March 2002	134.3	155.3	9.2	0.4	299.2

The new figure has been restated for the adoption of FRS 17 (see Note 26a).

Additions to shares in subsidiaries represent 63,000,000 ordinary shares issued at £1 each on 29 June 2001 to enable BBC Technology to finance the acquisition of the business from the BBC.

Disposals in other investments comprised £122.3million in loans paid back by the subsidiary undertakings following the transfer of fixed assets from Home Services in 2001.

Subsidiary undertakings are businesses we control.

14c Subsidiary undertakings

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

Cost	2002 £m	2001 £m
BBC Worldwide Limited	0.3	0.3
BBC Subscription Television Limited (dormant)	–	–
BBC Investments Limited (dormant)	–	–
BBC News Limited	–	–
BBC Property Limited	1.0	1.0
BBC Property Investments Limited	–	–
BBC Property Development Limited (dormant)	–	–
BBC Resources Limited	91.0	91.0
BBC Technology Holdings Limited	63.0	–
Centre House Productions Limited	–	–
BBC Digital Programming Services Limited	–	–
BBC Broadcast Limited	–	–
	155.3	92.3

Others

The Group also holds the controlling interest in the following principal subsidiary undertakings which, except where otherwise stated, are incorporated in Great Britain:

	Holding of issued ordinary shares %
Held by BBC World Service:	
BBC East Asia Relay Company Limited (incorporated in Hong Kong)	100
BBC Radiocom (Bulgaria) EOOD (incorporated in Bulgaria)	100
BBC Radiocom (Hungary) KFT (incorporated in Hungary)	100
BBC Radiocom (Praha) s.r.o. (incorporated in the Czech Republic)	100
BBC Radiocom (Slovakia) s.r.o. (incorporated in the Slovak Republic)	100
BBC Romania SRL (incorporated in Romania)	100
BBC Polska Sp. z o.o. (incorporated in Poland)	100
BBC do Brazil Limitada (incorporated in Brazil)	100
BBC Radiocom Deutschland GmbH (incorporated in Germany)	100
BBC Croatia d.o.o. (incorporated in Croatia)	100
BBC World Service Trust*	

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

14c Subsidiary undertakings *continued*

	Holding of issued ordinary shares %
Held by BBC Technology Holdings Limited:	
BBC Technology Limited	100
BBC Technology Services Limited	100
BBC Technology Supply Limited	100
Kingswood Warren Ventures Limited	100
BBC Technology Holdings LLC (incorporated in the USA)	100
BBC Technology Consultancy LLC (incorporated in the USA)	100
Held by BBC Worldwide Limited:	
<i>Publishing</i>	
BBC Magazines Inc. (incorporated in the USA)	100
Galleon Limited	100
Broadcasting Dataservices Limited	75
Cover to Cover Cassettes Limited	100
Chivers Communications Limited	100
<i>Programme distribution</i>	
BBC Worldwide Americas Inc. (incorporated in the USA)	100
BBC Worldwide Music Limited	100
UK Programme Distribution Limited	95
BBC Worldwide Japan KK Limited (incorporated in Japan)	100
BBC Worldwide (France) SARL (incorporated in France)	100
BBC Worldwide (Germany) GMBH (incorporated in Germany)	100
BBC Worldwide (India) Private Limited (incorporated in India)	100
BBC Worldwide (Singapore) Private Limited (incorporated in Singapore)	100
BBC Worldwide Canada Limited (incorporated in Canada)	100
<i>Channels</i>	
New Video Channel America LLC (incorporated in the USA)	100
European Channel Broadcasting Limited	100
European Channel Management Limited	100
<i>Investment companies</i>	
Worldwide Americas Investments Inc. (incorporated in the USA)	100
BBC Worldwide Investments Limited	100
BBC World Service Television Limited	100
Worldwide Channel Investments Limited	100
Worldwide Channel Investments (Europe) Limited	100
Worldwide Channel Investments (Australia) Pty Limited (incorporated in Australia)	100
Worldwide Channel Investments (Ontario) Limited (incorporated in Canada)	100
<i>Internet</i>	
beeb Ventures Limited	86.9

Joint ventures are businesses we jointly control with other parties.

14d Interests in joint ventures

The Group, through its subsidiary BBC Worldwide, has major partnership deals with Flextech, the content division of Telewest Communications plc, for the production and marketing of subscription channels in the UK, and with Discovery Communications Inc. (Discovery) for incorporating new channels around the world and providing new co-production funding for programmes. These alliances operate joint ventures, listed below:

Name of entity	Nature of entity	Partner	Date entered
UK Channel Management Limited	Joint venture	Flextech	April 1997
UK Gold Holdings Limited	Joint venture	Flextech	April 1997
UKTV New Ventures Limited	Joint venture	Flextech	October 2001
JV Programmes LLC	Joint venture	Discovery	March 1998

In addition to the arrangements with Flextech and Discovery, BBC Haymarket Exhibitions Limited is included in the joint venture total and is accounted for separately from the Flextech and Discovery joint ventures, as are the LST joint ventures (see Note 14a).

The Group share of turnover for Haymarket was £6.4million (2001 £6.4million) and operating surplus was £0.3million (2001 £0.6million).

The following disclosures are based on results for the year ended 31 December 2001 for the Flextech, Discovery and Haymarket joint ventures and 31 March 2002 for the LST joint ventures. The amounts disclosed represent the Group's equity shares of the assets and liabilities of the entities.

BBC Group share of:	UK Gold Holdings Limited* £m	UK Channel Management Limited* £m	Other joint ventures £m	Total joint ventures £m
2002				
Turnover	34.8	28.4	18.4	81.6
Profit/(loss) before tax	13.2	(3.0)	(1.9)	8.3
Taxation	(3.4)	–	(0.2)	(3.6)
Profit/(loss) after tax	9.8	(3.0)	(2.1)	4.7
Fixed assets	–	0.1	2.2	2.3
Goodwill	–	–	9.2	9.2
Current assets	14.2	14.0	19.6	47.8
Liabilities less than one year	(9.4)	(7.1)	(11.6)	(28.1)
Liabilities more than one year	(46.0)	(44.6)	(11.6)	(102.2)
Adjustment to reflect effective obligations	41.2	37.6	3.7	82.5
Net book value	–	–	11.5	11.5
2001				
Turnover	31.7	20.6	15.3	67.6
Profit/(loss) before tax	7.2	(8.8)	0.6	(1.0)
Taxation	(2.4)	–	(0.2)	(2.6)
Profit/(loss) after tax	4.8	(8.8)	0.4	(3.6)
Fixed assets	–	0.1	–	0.1
Current assets	27.7	13.2	15.7	56.6
Liabilities less than one year	(9.5)	(7.7)	(5.2)	(22.4)
Liabilities more than one year	(71.5)	(40.1)	(10.5)	(122.1)
Adjustment to reflect effective obligations	53.3	34.5	0.4	88.2
Net book value	–	–	0.4	0.4

* The figures for 2002 are based on unaudited financial statements (2001 unaudited).

Under the terms of the agreements with Flextech and Discovery, the Group has no obligation to fund losses incurred by the entities nor to make good their net liabilities. As a result, the Group does not share in losses of the relevant entities and accordingly no share of losses is included in the financial statements for the year ended 31 March 2002 (2001 £nil). The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation.

Associates are businesses over which we exert significant influence but do not have overall control.

14e Interests in associates

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

	Holding of issued ordinary shares %
Held by Home Services:	
Parliamentary Broadcasting Unit Limited	33
Broadcasters Audience Research Board Limited	*
The Commonwealth Broadcasting Association	*
Radio Joint Audience Research Limited (RAJAR)	50
Delta Ventures Limited	20
Held by BBC World Service:	
Caribbean Relay Company Limited (incorporated in Antigua)	45
Multimedia Ventures Limited	50
WRG-FM SA (incorporated in Switzerland)	40
Held by BBC Worldwide Limited:	
<i>Publishing</i>	
Frontline Limited	23
<i>Programme distribution</i>	
The Sales Consortium Limited	25
Tele Alliance Limited	25
<i>Channels</i>	
UK TV Pty Limited (incorporated in Australia)	20
Animal Planet (Latin America) LLC (incorporated in the USA) [†]	50
People and Arts (Latin America) LLC (incorporated in the USA) [†]	50
Animal Planet LLC (incorporated in the USA) [†]	20
JV Network LLC (incorporated in the USA) [†]	50
Animal Planet (Asia) LLC (incorporated in the USA) [†]	50
Animal Planet Europe Partnership [†]	50
Animal Planet Japan KK (incorporated in Japan) [†]	33
Animal Planet Japan LLP (incorporated in the USA) [†]	50
Jasper Broadcasting Limited (incorporated in Canada)	20
Jasper Junior Broadcasting Inc (incorporated in Canada)	20
Animal Planet Canada Company ULC (incorporated in Canada) [†]	23
Held by BBC Resources Limited:	
3sixtymedia Limited	10
Held by BBC Property Limited:	
White City Development Partnership	**

* Broadcasters Audience Research Board Limited and The Commonwealth Broadcasting Association are companies limited by guarantee, of which the BBC is a joint member with other broadcasters.

[†] Discovery associates.

** 50% partnership share.

14e Interests in associates *continued*

The following additional disclosures are based on the results of the Discovery associates for the year ended 31 December 2001 and the remaining associates' disclosures are based on the results at the date of their individual financial statements. These additional disclosures represent the Group's equity share of assets and liabilities of those entities.

BBC Group interests in associates	2002 £m	2001 £m
Share of turnover	39.1	32.5
Share of fixed assets	61.4	45.6
Share of current assets	23.9	28.6
Share of liabilities due within one year	(22.3)	(19.5)
Share of liabilities due after more than one year	(104.9)	(85.7)
Adjustment to reflect effective obligation	46.8	32.0
Net interests in associates	4.9	1.0

The results include the Group share of the operating profit of UK TV Pty Limited of £0.1million (2001 £0.1million) and Frontline Limited of £1.0million (2001 £0.2million). Both are accounted for separately from the Discovery associates.

Under the terms of the agreements with Discovery, the Group has no obligation to fund losses incurred by the entities nor to make good their net liabilities. As a result, the Group does not share in losses of the relevant entities and accordingly no share of losses is included in the financial statements for the year ended 31 March 2002 (2001 Nil). The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation, with the exception of JV Network LLC. JV Network LLC was formed for the purpose of providing debt funding from Discovery to the other Discovery joint ventures and BBC Worldwide is not entitled to any profits arising within this entity.

15 Stocks

	Group 2002 £m	Group 2001 as restated £m	Home Services 2002 £m	Home Services 2001 as restated £m
Raw materials	2.4	3.0	–	–
Work in progress:				
– originated programmes	254.5	235.6	254.5	235.5
– other	6.6	5.6	0.1	–
Finished programmes:				
– acquired programmes and films	89.0	92.5	89.0	92.5
– originated programmes	80.7	49.1	80.7	49.1
Other	16.2	11.8	1.0	0.9
Total	449.4	397.6	425.3	378.0

The 2001 figures have been restated to reclassify programme loss provisions of £8.5million, previously reported within other provisions, against originated programme work in progress (see Note 26b).

The increased levels of originated programme work in progress and finished programme stock reflect the launch of new television channels.

16 Debtors

	Group 2002 £m	Group 2001 £m	Home Services 2002 £m	Home Services 2001 £m
Receivable within one year				
Trade debtors	146.4	163.7	27.5	22.3
Department of Culture, Media and Sport – licence fee debtors	255.5	272.9	255.5	272.9
Amounts owed by subsidiaries	–	–	58.1	98.5
Amounts owed by associates and joint ventures	9.2	5.8	–	–
VAT recoverable	39.6	28.1	30.7	26.3
Other debtors	36.4	31.8	14.2	21.3
Corporation tax	0.6	3.6	0.7	1.2
Prepayments	175.9	142.3	156.1	102.2
	663.6	648.2	542.8	544.7
Receivable after more than one year				
Trade debtors	0.2	–	0.2	–
Amounts owed by subsidiaries	–	–	–	17.6
Prepayments	137.0	47.8	113.6	27.2
	137.2	47.8	113.8	44.8
Total	800.8	696.0	656.6	589.5

The increase in prepayments reflects a build-up in rights to broadcast major sporting events and key acquired programmes (see also Note 23). In addition, the sale of the White City building to Land Securities Trillium in the year ended 31 March 2002 was settled in part by future reductions in the cost to the BBC of occupying the building. The net present value of this reduction is held as a prepayment to be released over the term of the lease.

BBC Resources has an unsecured loan facility of £30million with the BBC that is repayable on 30 March 2004. Interest on this facility is charged at 0.8% over bank base rates and appropriate covenants exist to protect the Home Services from financial risk. At 31 March 2002 none of the facility was drawn down.

BBC Worldwide has an unsecured loan facility of £125million with the BBC that is repayable on 1 April 2003. Interest on this facility is charged at 0.6% over bank base rates and appropriate covenants exist to protect the Home Services from financial risk. At 31 March 2002, £0.6million of the loan was drawn down.

BBC Technology Services (the principal trading company of the BBC Technology Group) has a loan facility of £25million with the BBC secured by a floating charge over all assets and undertakings that is repayable on 30 March 2004. Interest on this facility is charged at 1% over bank base rates and appropriate covenants exist to protect the Home Services from financial risk. At 31 March 2002 none of the facility was drawn down.

17 Creditors

17a Prompt payment policy

It is the BBC's policy to comply with the CBI prompt payment code in relation to the payment of suppliers, provided that the supplier is complying with the relevant terms and conditions of their contracts. The BBC monitors compliance against the terms of this code. Payments for programme acquisitions are made in accordance with contractual terms. The BBC Group's number of creditor days outstanding in respect of other trade creditors at 31 March 2002 was 52 days (2001 52 days).

17b Amounts falling due within one year

	Group 2002 £m	Group 2001 as restated £m	Home Services 2002 £m	Home Services 2001 £m
Bank overdrafts	–	7.0	60.9	–
Unsecured loan notes	1.9	–	–	–
	1.9	7.0	60.9	–
Payments received on account	2.2	–	–	–
Trade creditors				
Programme creditors	75.9	91.1	75.5	90.9
Programme acquisitions	44.0	39.7	44.0	39.7
Salaries and wages	29.0	28.0	18.2	17.6
Residual copyright payments	56.5	53.3	–	–
Licence fee collection creditors	4.6	5.4	4.6	5.4
Other trade creditors	174.3	167.2	117.1	104.2
	384.3	384.7	259.4	257.8
Other creditors				
Other taxation and social security	41.0	33.9	24.6	23.8
Amounts owed to subsidiaries	–	–	57.9	34.2
Amounts owed to associates and joint ventures	1.7	2.0	–	0.1
Obligations under finance leases	7.2	–	–	–
Amounts owed to subsidiaries in respect of finance leases	–	–	10.1	–
	49.9	35.9	92.6	58.1
Accruals and deferred income				
Accruals and deferred income	302.4	276.9	224.5	201.7
Licence saving stamps deposits and direct debit instalments	130.5	140.1	130.5	140.1
	432.9	417.0	355.0	341.8
Total	871.2	844.6	767.9	657.7

The prior year balance for the salaries and wages creditor has been restated to include balances that were previously included within other trade creditors (see Note 26b).

The Home Services' overdraft facility bears interest at bank base rates plus 1%.

17c Amounts falling due after more than one year

	Note	Group 2002 £m	Group 2001 £m	Home Services 2002 £m	Home Services 2001 £m
Bank and other loans		29.4	19.1	–	–
Trade creditors					
Programme acquisitions		36.4	21.0	36.4	21.0
Other trade creditors		2.9	0.7	–	0.7
		39.3	21.7	36.4	21.7
Other creditors					
Obligations under finance leases	17d	33.8	10.5	–	–
Amounts owed to subsidiaries in respect of finance leases		–	–	9.7	–
		33.8	10.5	9.7	–
Total		102.5	51.3	46.1	21.7

Creditors falling due after more than one year are all repayable within five years with the exception of the finance lease obligations (see Note 17d).

Bank and other loans include a US\$5million loan from Discovery which is repayable in the following stages: \$3million due 31 March 2004; \$2million due 31 March 2005. The remainder of the loans consist of multi-currency revolving facilities repayable in full in three years. Interest is payable at LIBOR plus 1.0% for the US\$5million loan and LIBOR plus 0.3% for the multi-currency facilities.

A finance lease transfers substantially all the risks and rewards of owning an asset to the lessee (the BBC). So we recognise the assets within our fixed assets with the corresponding borrowings in creditors.

17d Obligations under finance leases

The maturity of obligations under finance leases is as follows:

	Group 2002 £m	Group 2001 £m	Home Services 2002 £m	Home Services 2001 £m
Within one year	26.2	9.7	10.1	–
In the second to fifth years	94.3	43.9	9.7	–
Over five years	237.3	125.4	–	–
	357.8	179.0	19.8	–
Less: future finance charges	(89.4)	(52.9)	–	–
	268.4	126.1	19.8	–
Less: defeasance deposits	(227.4)	(115.6)	–	–
	41.0	10.5	19.8	–

Defeasance deposits are cash deposits that are linked to a matching creditor. We can only use these deposits to settle the linked liability.

The finance leases have been entered into by BBC Technology and Centre House Productions Limited.

BBC Technology has entered into finance leases to finance the acquisition of IT equipment which is subsequently leased to other parts of the BBC on an arm's length basis.

Centre House Productions Limited has entered into finance leases as a means of financing drama productions which result in a reduction in the production costs to the BBC. The level of obligations has increased significantly in 2002. These finance leases are matched by the defeasance deposits such that the principle on deposit and the interest earned will be sufficient to cover the rental obligations on the finance leases until the end of the lease. These deposits may only be used to settle the finance lease liabilities and therefore these do not represent separate assets and liabilities. Consequently they have been netted off with the finance lease creditor to show the net unmatched liability at the year end.

18 Provisions for liabilities and charges

Group	At 1 April 2001 as restated £m	Reclassification £m	Utilised during the year £m	Released during the year £m	Charge for the year £m	At 31 March 2002 £m
Licence fee	11.9	20.9	(37.1)	(8.6)	37.8	24.9
Restructuring	4.5	1.1	(3.7)	(1.1)	13.3	14.1
Litigation and insurance	14.3	–	(18.8)	(2.1)	21.2	14.6
Property	11.9	(1.1)	–	(0.5)	0.2	10.5
Pension	0.7	(0.7)	–	–	–	–
Other	9.9	6.5	(7.4)	(12.3)	21.8	18.5
Total	53.2	26.7	(67.0)	(24.6)	94.3	82.6

The 2001 figures have been restated for the adoption of FRS 17 and to reclassify programme loss provisions of £8.5million against originated programmes work in progress. £26.7million disclosed in other creditors in Home Services last year has been reviewed and reclassified into provisions in 2002 (see Note 26).

Property provisions include BBC World Service's liability of £3.6million (2001 £3.6million) to restore Bush House to its original condition, together with amounts relating to other dilapidations and relocations.

Other provisions consist of a number of balances arising across the BBC in the normal course of business.

Home Services	At 1 April 2001 as restated £m	Reclassification £m	Utilised during the year £m	Released during the year £m	Charge for the year £m	At 31 March 2002 £m
Licence fee	11.9	20.9	(37.1)	(8.6)	37.8	24.9
Restructuring	3.9	1.1	(3.2)	(1.0)	11.1	11.9
Litigation and insurance	14.3	–	(18.8)	(2.1)	21.2	14.6
Property	8.3	(1.1)	–	(0.5)	0.2	6.9
Other	9.9	6.5	(7.4)	(12.3)	19.6	16.3
Total	48.3	27.4	(66.5)	(24.5)	89.9	74.6

The 2001 figures have been restated for the adoption of FRS 17 and to reclassify programme loss provisions of £8.5million against originated programmes work in progress (see Note 26).

The Home Services and BBC World Service are funded from different sources. As such, the reserves relating to the BBC World Service are maintained separately from the rest of the Group and are restricted for use solely on BBC World Service activities.

19 Reserves

Note	Operating reserve excluding pension reserve as restated £m	Pension reserve as restated £m	Total operating reserve as restated £m	Capital reserve £m	Revaluation reserve £m	Total £m
Group						
At 1 April 2001 as previously stated	607.3	–	607.3	791.1	7.2	1,405.6
Prior year adjustment 26a	47.2	1,704.3	1,751.5	–	–	1,751.5
At 1 April 2001 as restated	654.5	1,704.3	2,358.8	791.1	7.2	3,157.1
Exchange adjustments	0.5	–	0.5	–	–	0.5
Deficit for the financial year	(15.9)	–	(15.9)	–	–	(15.9)
Actuarial loss on defined benefit pension schemes	–	(725.4)	(725.4)	–	–	(725.4)
Revaluation reserve transfer	0.8	–	0.8	–	(0.8)	–
Pension reserve transfer	17.8	(17.8)	–	–	–	–
Capital reserve transfer	(11.5)	–	(11.5)	11.5	–	–
At 31 March 2002	646.2	961.1	1,607.3	802.6	6.4	2,416.3
Represented by:						
General Group reserves	635.2	961.1	1,596.3	685.7	–	2,282.0
BBC World Service reserves	11.0	–	11.0	116.9	6.4	134.3
	646.2	961.1	1,607.3	802.6	6.4	2,416.3

Under the accounting standard FRS 10, *Goodwill and intangible assets*, any newly arising goodwill must be capitalised and amortised over its useful life. As is permitted by the standard, goodwill arising in periods prior to 1999 of £6.8million (2001 £6.8million) remains offset against the operating reserve.

Note	Operating reserve as restated £m	Capital reserve £m	Revaluation reserve £m	Total £m
Home Services				
At 1 April 2001 as previously stated	546.3	791.1	7.2	1,344.6
Prior year adjustment 26a	34.8	–	–	34.8
At 1 April 2001 as restated	581.1	791.1	7.2	1,379.4
Deficit for the financial year	(9.3)	–	–	(9.3)
Revaluation reserve transfer	0.8	–	(0.8)	–
Capital reserve transfer	(11.5)	11.5	–	–
At 31 March 2002	561.1	802.6	6.4	1,370.1
Represented by:				
Home Services reserves	550.1	685.7	–	1,235.8
BBC World Service reserves	11.0	116.9	6.4	134.3
	561.1	802.6	6.4	1,370.1

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

20 Reconciliation of Group operating deficit to net cash inflow from operating activities

	2002 £m	2001 as restated £m
Group operating deficit	(173.4)	(129.8)
Depreciation and amortisation	220.5	189.6
Pension schemes operating costs (non-cash)	151.5	133.1
Loss on disposal of tangible fixed assets	1.4	6.5
(Increase)/decrease in stocks	(51.8)	(60.7)
(Increase)/decrease in debtors	(43.3)	(117.1)
Increase/(decrease) in creditors	83.2	84.3
Increase/(decrease) in provisions	29.4	23.1
Net cash inflow from operating activities	217.5	129.0

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

21 Analysis of changes in net funds

Bank overdrafts represent temporary timing differences on cash at bank.

The Group cash at bank and in hand shown on the balance sheet is made up of deposits not repayable on demand and cash at bank and in hand.

	At 1 April 2001 £m	Cash flows £m	Non-cash movements £m	At 31 March 2002 £m
Net cash				
Bank overdrafts	(7.0)	7.0	–	–
Cash at bank and in hand	102.9	(102.6)	–	0.3
	95.9	(95.6)	–	0.3
Liquid resources				
Deposits not repayable on demand	15.0	(15.0)	–	–
Short-term investments	253.4	103.4	–	356.8
Gross funds*	364.3	(7.2)	–	357.1
Loans from third parties	(19.1)	(10.3)	–	(29.4)
Unsecured loan notes	–	–	(1.9)	(1.9)
Finance leases	(10.5)	–	(30.5)	(41.0)
Net funds	334.7	(17.5)	(32.4)	284.8

The repayments on finance leases held by Centre House Productions Limited are offset directly by income earned on matching deposits, such that there is no cash flow effect (see Note 17d). The increase in finance lease liabilities represents the amount by which the interest accrued on the leases exceeds that earned on the deposits together with new defeasance deposits for new finance leases entered into during the year. Over the course of the lease the interest earned on deposit together with the principal is designed to meet the finance lease obligations.

	2002 £m	2001 £m
*Analysis of gross funds		
BBC funds	226.6	224.2
TV licence savings stamp deposits and direct debit instalments	130.5	140.1
Gross funds	357.1	364.3

22 Reconciliation of net cash flow to movement in net funds

	2002 £m	2001 £m
Decrease in cash in the year	(95.6)	(51.6)
Net cash outflow/(inflow) from management of liquid resources	88.4	(6.7)
Net cash (inflow) from financing activities	(10.3)	–
Change in net funds resulting from cash flows	(17.5)	(58.3)
Issue of loan notes	(1.9)	–
Finance leases	(30.5)	(6.1)
Exchange adjustments	–	(0.2)
Change in net funds	(49.9)	(64.6)
Net funds at the beginning of the year	334.7	399.3
Net funds at the end of the year	284.8	334.7

23 Commitments

23a Contracts placed for future expenditure

	Group 2002 £m	Group 2001 £m	Home Services 2002 £m	Home Services 2001 £m
Fixed asset additions	45.9	37.8	13.4	19.6
Programme acquisitions and sports rights	754.4	658.3	715.2	591.5
Independent programmes	69.4	24.8	69.4	24.8
	869.7	720.9	798.0	635.9

The increase in contractual commitments is due to the renegotiation of favourable long-term contracts for key programmes and the rights to broadcast major sporting events.

An operating lease is a lease where the lessee has not taken on the risks and rewards of owning and operating the asset. The lessee (the BBC) is hiring rather than buying an asset.

23b Operating leases

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

	Land and buildings 2002 £m	Land and buildings 2001 £m	Other 2002 £m	Other as restated 2001 £m
Group				
Within one year	2.7	2.3	5.3	12.3
In two to five years	12.1	11.6	9.3	16.1
After five years	13.0	8.8	2.5	3.2
	27.8	22.7	17.1	31.6
Home Services				
Within one year	1.3	2.1	1.0	8.0
In two to five years	4.4	3.5	10.8	10.2
After five years	11.8	7.6	–	–
	17.5	13.2	11.8	18.2

The prior year figures for land and buildings have been restated following a review of all the BBC's leases.

23c Other financial commitments

In the ordinary course of business the BBC enters into a large number of contracts with artists and writers and with providers of other services including licence fee collection and channel distribution.

24 Contingent liabilities

At 31 March 2002 the Group had unprovided contingent liabilities estimated to be £2.3million (2001 £2.8million) in respect of guarantees and indemnities.

Within BBC World Service, BBC Monitoring's operating reserve of £7.2million (2001 £7.0million) includes amounts arising as a result of charging a return on capital employed to its customers, together with other accumulated excesses of income over expenditure. There are limitations placed upon these funds and agreement has yet to be reached over their use.

BBC Resources Limited has a contract with 3sixtymedia Limited for the use of studios. In the event that turnover earned by 3sixtymedia Limited from the BBC falls below specified levels, BBC Resources Limited is liable to pay a proportion of any redundancy costs which arise as a consequence, up to a maximum of 100%. It is not practicable to quantify the possible amount of any such liability, as it is dependent upon both the level of redundancy costs and the level of turnover generated by the BBC. In the event that this liability crystallises, there will be a dilution in BBC Resources Limited's shareholding in 3sixtymedia Limited.

The Group also has a number of contingent liabilities arising from litigation. The BBC makes specific provision (see Note 18) against an estimate of any damages and costs which may be awarded.

25 Related party transactions

The related party transactions of the Group have been presented in accordance with FRS 8, *Related party disclosures*.

25a Transactions with joint ventures and associated undertakings

Included in the income and expenditure account is income from UKTV and the Discovery joint ventures of £30.3million and £24.2million respectively from sales of programmes. The BBC received £7.7million of income from various other associates from sales of programmes. In addition, Frontline Limited charged £6.3million for the distribution of BBC Worldwide Limited's magazines.

In October 2001 the BBC formed the Insight Property Partnership and the White City Development Partnership with Land Securities Trillium (LST) as explained in Note 14a. The BBC contributed its interest in the White City site to these partnerships. The consideration received was a combination of cash of £20million, partnership capital of £3.6million and reductions in service payments for property services. The latter is held as a prepayment on the BBC's balance sheet. In addition, development work in progress was transferred to the White City Development Partnership for cash of £17million. The BBC recorded neither a profit nor a loss on these transfers. The partnerships charged the BBC £25million for property services during the year.

Amounts owed by/to joint ventures and associated undertakings at the year end are disclosed within Notes 16 and 17. In all transactions the terms of trade were negotiated on an arm's length basis.

25b Other transactions

Related parties include Governors, the Executive Committee and other senior managers, their immediate families and external entities controlled by them.

Sir Richard Eyre, Governor, is also Chairman and Managing Director of Chestermead Limited. During the year Sir Richard Eyre received, either directly or through Chestermead, payments totalling £9,500 for interviews and contributions to BBC programmes. No amounts were outstanding at the year end. He was also writer and director of *Iris*, a film produced by Fox Iris Productions Limited. BBC Films contributed towards the financing of this film. Sir Richard Eyre's wife, Sue Birtwistle, works on a freelance basis for the BBC. During 2001/2002 she received £31,000 for her contribution to *Armadillo*.

Baroness Hogg, Governor, is also Chairman of Frontier Economics. During the year the BBC paid £45,000 to Frontier Economics for two projects relating to new service launches and the incorporation of BBC Broadcast Limited. No amounts were outstanding at the year end.

Rt Hon The Lord Ryder, Governor, is also a non-executive director and shareholder of Ipswich Town Football Club. During the year the BBC paid £1,195,000 to the club in respect of the UEFA Cup and FA Cup televised fixtures.

Ranjit Sondhi, Governor, is married to Anita Bhalla, who has been employed by the BBC since 1987 in various production and broadcasting roles. Her current role is Head of Political and Community Affairs for the English Regions. Her remuneration is based on the BBC's standard terms and conditions applicable to other staff employed in this capacity.

This is a technical explanation of how the adoption of the new policy has changed the figures in last year's financial statements.

Sir Christopher Bland, Chairman of the BBC until 30 September 2001, was also Chairman of British Telecommunications plc from May 2001. During this time the BBC traded with British Telecommunications plc in the normal course of business. Sir Christopher Bland was not a party to the approval process for any of this trading.

In the normal course of business, there are a number of transactions between the BBC and other parties which are related by virtue of the fact that senior employees of the BBC are married to or have family relations with individuals who own or are employed at other media, production and broadcasting companies.

The BBC has set procedures for dealing with situations to avoid any conflict of interest. Where transactions have arisen between connected parties, the BBC Governor or employee is not a party to the approval process.

26 Restatement of comparative figures

26a Adoption of FRS 17, *Retirement benefits*

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

In the Group income and expenditure account the defined benefit pension operating cost, included within operating expenditure, increased by £101.1million to £154.0million. A new income line, other finance income, represents the net expected return to the BBC on pension scheme assets after deducting the interest on the pension scheme liabilities. This offsets the pension scheme cost by £169.5million in 2001 resulting in a net credit of £15.5million to the income and expenditure account for this pension scheme.

In the Group balance sheet the pension provision was reduced by £47.2million, of which £31.5million related to amounts added during 2001 under the previous accounting policy SSAP 24. The pension scheme surplus increased net assets by £1,704.3million.

In total, the effect of FRS 17 has been to increase net assets by £1,751.5million.

The impact of adopting FRS 17 on the operating costs for 2002 is similar to that for 2001. However, volatility in the other finance costs results in a net pension charge of £43.3million in the income and expenditure account in 2002 compared with the credit of £15.5million in 2001.

The Home Services have taken advantage of provisions in the scheme and now account for the scheme as if it were a defined contribution scheme. This resulted in a decrease in pension costs of £24.0million in 2001. The pension provision of £34.5million was eliminated and the interest in BBC World Service net assets increased by £0.3million to £124.5million. The impact of adopting FRS 17 had a similar effect on Home Services' results in 2002.

26b Other restatements

The adoption of a new chart of accounts with our new financial system has led to a number of balance sheet reclassifications this year. The impact is explained under the relevant note to the financial statements.