

BBC Annual Report and Accounts 2002/2003

Purpose, vision and values



Our purpose is to enrich people's lives with programmes and services that inform, educate and entertain

Our vision is to be the most creative organisation in the world

Our values

- Trust is the foundation of the BBC: we are independent, impartial and honest
- Audiences are at the heart of everything we do
- We take pride in delivering quality and value for money
- Creativity is the lifeblood of our organisation
- We respect each other and celebrate our diversity so that everyone can give their best
- We are one BBC: great things happen when we work together

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Front cover: The Queen's Golden Jubilee celebrations.

Left: DJ Erick Morillo at BBC Radio 1's Newquay Dance Party.

Above, clockwise from the top: *The Life of Mammals*, *Bitesize*, *3 Non-Blondes*, Jeremy Vine, *The Lost Prince*, listening-in in Baghdad, *The Office*.

Chairman's foreword



The BBC celebrated its 80th birthday with a concert at the Birmingham Symphony Hall last November. For an octogenarian, the organisation is in rude health. Audience approval ratings have climbed to new highs, and all the new digital television and radio services which were planned three years ago have been launched. A portfolio of services is now in place which is suited to the digital age, and which enables the BBC to bring more value than ever before to all of our licence payers. Overall, the Governors believe that the BBC has enjoyed a very strong year. A clear improvement in the range and ambition of programmes has been achieved, especially on BBC One, and audience numbers have been very robust in the face of increased competition.

Two events have dominated the past year: The Queen's Golden Jubilee celebrations, and particularly the magical weekend of parties across Britain last June, united the nation in a way which some had thought impossible in the modern age. Less happily, the war in Iraq challenged the unity of the nation and therefore put a spotlight on the accuracy and impartiality of BBC reporting.

It is the view of the Governors that the BBC responded magnificently to both of these great events. Even our harshest critics recognised that the BBC brought something special to its coverage of the Jubilee. Without the universal reach of the BBC, and without its unparalleled skill in bringing such stirring events into every home in Britain, the sense of a truly national celebration, of an outpouring of patriotism, would have been much diminished.

The onset of war in Iraq provided a different challenge.

As ever, the BBC had an overriding responsibility to licence payers to reflect and analyse the debate that was happening in the country, and to report the war itself with a total commitment to impartiality and the truth. The troubled circumstances of war were no reason to compromise the editorial standards of the BBC's news output.

Despite periods of intense pressure from across the spectrum, BBC news continued to serve licence payers with its traditional attachment to the truth, and nothing but the truth, during the war. Of course there were some individual errors along the way, but our audiences recognised that the trust they have always placed in the BBC would not be betrayed. Not only did they turn to the BBC as a source of news in overwhelming numbers, but the evidence clearly shows that they trusted the BBC more than any other information source.

BBC journalists and news professionals placed themselves in great jeopardy to serve audiences during the war. Six were injured and two were killed. We continue to mourn their loss.

In other, more normal, arenas, the BBC enjoyed a year of considerable progress. The Governors expect it to be a public service broadcaster that can appeal to a mass audience. We reject the notion that the BBC should be marginalised into a small corner of the broadcasting landscape, or that it should overlook its historic mandate to serve all UK audiences with equal passion. The BBC must be allowed to respond to the opportunities created by new media technologies. And we doubt whether a better way can be found to fund the organisation than the licence fee.

To retain public legitimacy, the licence fee must of course provide value for money to every household. So audience ratings, and particularly audience reach, must be a relevant indicator of the BBC's success. Here the BBC has done well, with radio flourishing almost across the board, BBCi reaching new heights in page impressions and user reach, BBC One increasing its share in both analogue and multi-channel homes, and BBC Two remaining the only terrestrial channel to increase overall share in the face of vastly increased digital competition.

But we do not need to be reminded that mass audiences are not enough to sustain the objectives set in the BBC's Charter.

Nothing would be easier than to maximise audience share with populist and derivative programming. And nothing would be more pointless. The BBC's mission is to provide a package which is richer and more ambitious than could be provided by the commercial sector alone.

Again, the BBC has done well in this critical objective in the year under review. It has been a year of great programmes, like *The Gathering Storm*, *The Life of Mammals*, *The Lost Prince*, *Great Britons* and countless others. It has been a year in which BBC One and BBC Two have shown the benefit of greatly increased programme budgets, and in which the BBC's digital television channels have greatly added to the daily choice available to viewers. It has been a year in which BBC national and local radio has managed, even against its own demanding standards, to attain new distinction.

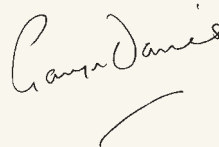
Remarkably, more new national BBC services were launched over the last 18 months than in the first eight decades of the BBC's history. Some of these new services are already a success. Some will take time to build. All of them will be needed to fulfil the BBC's public service remit in the years ahead.

The launch of new services and the greater investment in programmes has meant that the long-planned reduction in the BBC's positive cash balance has happened in the past year. The BBC is on target with all its medium-term financial objectives. The commercial businesses are thriving in difficult market conditions, and are returning funds to benefit our licence payers. The BBC has attained, and exceeded, all the Governors' targets to reduce bureaucracy and waste inside the organisation. Three quarters of all the extra money that has been ploughed into programmes in recent years has come from self help, not from a higher licence fee.

The Director-General, Greg Dyke, his senior management team and the staff they lead deserve to be rewarded adequately for what they have achieved. The BBC's policy, over time, is to pay executives and staff at around the median for comparator groups in other public or private UK organisations. This year, because of the reduced competition for top staff from the private sector, the average bonus paid to the executive group has fallen despite the excellent performance of the organisation.

Shortly after becoming Chairman, I announced reforms to the BBC's system of governance, designed to sharpen the distinction between the Governors and the Executive, and to set more transparent objectives for the organisation to fulfil. This report gives a much fuller account by the Governors of the extent to which the objectives which we set a year ago have been attained. Progress has been made across the board, but further improvement is needed in many areas, and most of the objectives have therefore been left in place for the year ahead.

One objective will never change. It is no accident that the organisation is named the *British* Broadcasting Corporation. As foreign influences threaten to become harder for the commercial sector to resist, it will be even more important for the BBC to uphold the standard of indigenous programming in the nation whose name we proudly bear. It is a challenge which we relish, and are ready to meet.



Gavyn Davies
Chairman

Board of Governors

Gavyn Davies OBE Chairman from October 2001 and formerly Vice-Chairman. Also chairs the Property Committee and the Remuneration Committee. Advisory Director at Goldman Sachs International. Previously at Goldman Sachs he was Chairman of the Global Investment Research Department and Chief International Economist. He was a member of the Policy Unit at 10 Downing Street from 1974 to 1979 and chaired an independent review into the future funding of the BBC in 1999. Born in 1950.

Rt Hon The Lord Ryder Vice-Chairman since January 2002. Chairman of the Fair Trading Compliance Committee and member of the Property Committee and the Remuneration Committee. Privy Councillor since 1990. Created life peer in 1997. MP for mid-Norfolk from 1983 to 1997. Parliamentary Under Secretary at MAFF; Economic Secretary to the Treasury; Paymaster General then Government Chief Whip from 1988 to 1995. Political Secretary to Margaret Thatcher from 1975 to 1981. Director of Ipswich Town FC since 1999. Chairman of

Eastern Counties Radio until his appointment to the BBC. Born in 1949.

Dame Ruth Deech DBE BBC Governor since October 2002. Member of the Fair Trading Compliance Committee. Honorary Bencher of the Inner Temple; a Rhodes Trustee; Honorary Fellow of the Society of Advanced Legal Studies; Principal of St Anne's College, Oxford, and a Pro-Vice Chancellor of Oxford University. Chairman of the Human Fertilisation and Embryology Authority from 1994 to 2002. Born in 1943.

Sir Richard Eyre CBE BBC Governor from 1995 to May 2003, when he retired due to pressure of other work. Was a member of the Programme Complaints Committee. Freelance theatre, film and television director and writer. Directed and co-wrote the Oscar-winning film *Iris*. After ten years in regional theatre in Leicester, Edinburgh and Nottingham, became Director of the Royal National Theatre from 1988 to 1997, directing 27 productions and producing over 100 more. Series producer of BBC

Television's *Play For Today* from 1978 to 1981. Born in 1943.

Dermot Gleeson BBC Governor since November 2000. Member of the Audit Committee and the Property Committee. Executive Chairman of the M J Gleeson Group Limited. A director of the Housing Corporation from 1990 to 1995 and of the Construction Industry Training Board from 1995 to 2002. Former Head of the Home Affairs Section of the Conservative Research Department and a member of Christopher Tugendhat's cabinet in the European Commission from 1977 to 1979. Born in 1949.

Baroness Hogg BBC Governor since February 2000. Member of the Audit Committee, the Fair Trading Compliance Committee and the Remuneration Committee. Sarah Hogg is non-executive Chairman of 3i Group plc and Frontier Economics. She is a director of GKN, Carnival Corporation and Carnival plc. She is also a member of the House of Lords Economic Affairs Committee. Made a life peer in 1995. Born in 1946.

Professor Merfyn Jones The BBC's National Governor for Wales since January 2003. Member of the Councils and Advisory Bodies Committee. Historian and broadcaster. Professor of Welsh History at the University of Wales, Bangor, specialising in the modern and contemporary history of society and politics in Wales. Since 1998 he has been Pro-Vice Chancellor of the University. He is also the author of a number of books and articles. Born in 1948.

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



Dame Pauline Neville-Jones DCMG BBC International Governor since January 1998. Chairs the Audit Committee and the Governors' World Service Consultative Group. Member of the Programme Complaints Committee and the Remuneration Committee. Chairman of QinetiQ Group plc and Chairman of the Information Assurance Advisory Council. From 1996 to 2000 she worked for NatWest markets and its corporate advisory arm, Hawkpoint Partners. A career member of the Diplomatic Service from 1963 to 1996, including a five-year secondment in Brussels and three years as Political Director in the Foreign and Commonwealth Office. Born in 1939.

Angela Sarkis CBE BBC Governor since October 2002. Member of the Programme Complaints Committee. Independent consultant; non-executive director on the Correctional Services Board at the Home Office; a member of the Interim House of Lords Appointments Commission, and Adviser to the Department for Education and Skills on teacher workload management. Chair of the NCVO Diversity Project; a member of the Active Community Unit Advisory Panel at the Home Office, and Vice-President of the African Caribbean Evangelical Alliance. A chief executive of the Church Urban Fund from 1996 to January 2002. From 1996 to July 2002 she was a trustee of *BBC Children in Need*. Born in 1955.

The Board of Governors, from left Standing: Lord Ryder, Baroness Hogg, Professor Fabian Monds, Dermot Gleeson, Angela Sarkis, Sir Robert Smith

Seated: Dame Ruth Deech, Ranjit Sondhi, Gavyn Davies, Professor Merfyn Jones, Dame Pauline Neville-Jones

Below: Sir Richard Eyre

Sir Robert Smith The BBC's National Governor for Scotland since August 1999. Chairman of the Programme Complaints Committee and member of the Audit Committee, Property Committee and Councils and Advisory Bodies Committee. Chairman of *BBC Children in Need* trustees. Chairman of the Weir Group from July 2002 and member of the Board of the British Council. Formerly Chief Executive and Vice-Chairman of Deutsche Asset Management; a director of the Financial Services Authority, and Chairman of the Board of Trustees of the National Museums of Scotland. Born in 1944.

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

Roger Jones OBE served as the BBC's National Governor for Wales from December 1996 until the expiry of his term of office in December 2002.

Sir Anthony Young served as a BBC Governor from August 1998 until the expiry of his term of office in July 2002.

Running the BBC

This report explains how the BBC delivered its public service remit in 2002/2003. The BBC's Board of Governors ensures that it does so by setting key objectives, approving strategy and policy and monitoring and assessing performance.

The Governors' assessment of the BBC's performance against the objectives set by them for 2002/2003 can be found on pages 8 to 15, while pages 20 to 53 provide an account of how BBC channels and services have delivered the BBC's public purposes over the year.

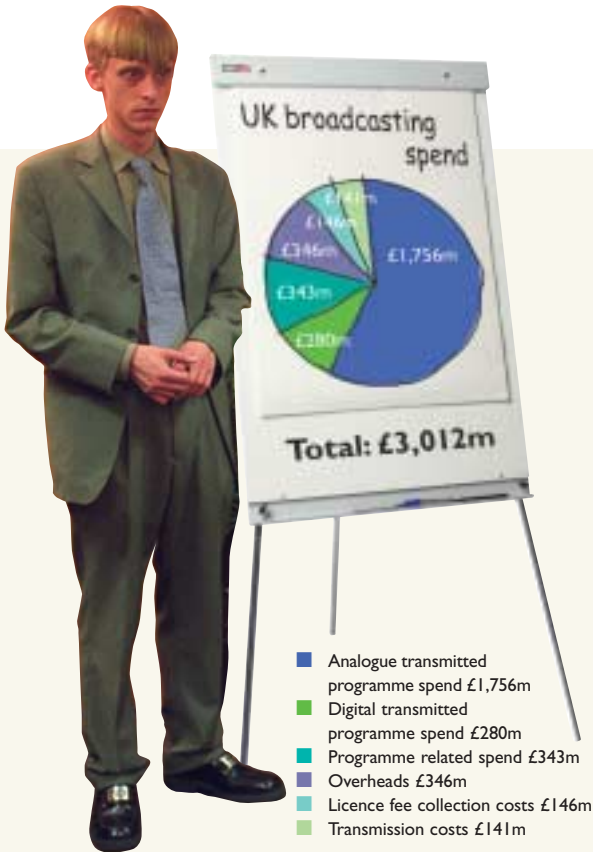
The Governors also safeguard the BBC's independence and ensure compliance and public accountability. Fair trading, effective management and compliance with legal obligations and editorial guidelines are key areas; detailed reports can be found on pages 68 to 81 and in the Broadcasting facts and figures section on pages 122 to 131. The BBC's audited financial statements are on pages 85 to 121. The Governors also undertake a variety of activities to ensure that they are in touch with the views of audiences. This year the focus was on taste and decency, the relevance of BBC news and current affairs output, ensuring that proper account is taken of the views of Asian audiences, and the public purposes of BBCi. Reports are provided on pages 58 to 63.

The Governors appoint the Director-General and, with him, other members of the Executive Committee, and determine their remuneration. The policy on Executive Committee remuneration is set out in detail on page 77.

The Director-General is the BBC's chief executive and editor-in-chief. BBC operations are run by the directors of nine programming and broadcasting divisions and five professional services, and by the chief executives of the BBC's commercial services. They report to the Director-General and, together, make up the Executive Committee. This proposes key objectives, develops strategy and policy in the light of set objectives, and operates all services within the strategic and policy framework approved by the Governors.



Summary of the year

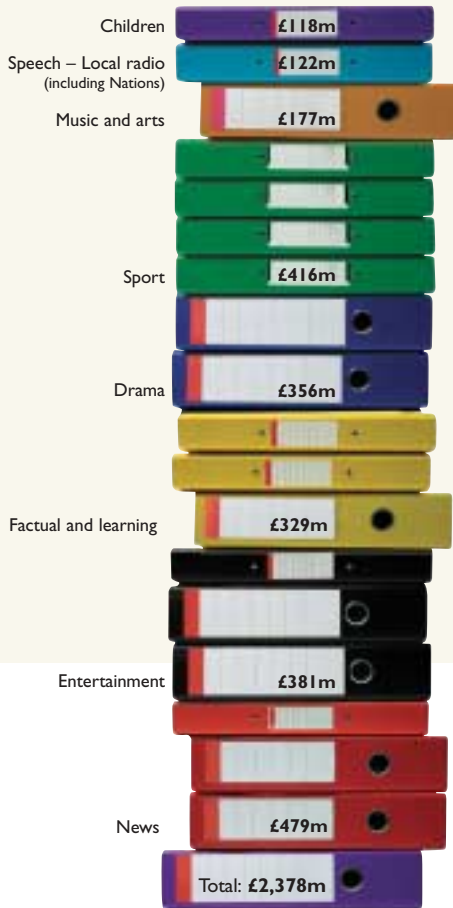


These figures are explained in more detail on page 95

In 2002/2003 the BBC:

- Spent an additional £346million on UK programmes and services as a result of increased income and savings
- Improved licence fee collection and reduced evasion, increasing income by £54million
- Funded more public service programmes through a £124million cash return from its commercial subsidiaries, which also contributed to reductions in support costs
- Reduced overheads to 13% from 24% three years ago
- Spent 86% of transmitted programme spend on analogue services

Programme spend by genre



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

In addition to the local spend shown below, £325million was spent outside London on network television and radio



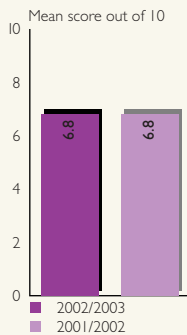
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In 2002/2003 the BBC:

- > Made progress on extending the range and distinctiveness of its output with new strategies for arts, politics, current affairs and religion
- > Achieved a record approval score of 7.1 out of 10 in January 2003 and an average of 6.8 over the year (see approval chart below)
- > Completed its portfolio of services, launching the remaining 4 of 9 new digital services
- > Provided audiences with cheap, easy access to digital terrestrial services through its partnership in Freeview – by the end of March retailers had sold over 680,000 Freeview boxes and more than 1.4 million homes could receive DTT broadcasts
- > Reached 92.7% of the population with its services. People spent an average of 21 hours 16 minutes a week with BBC television and radio – 44.4% of their viewing and listening and 24.2% of their leisure time (see weekly reach chart below)
- > Attracted an average of 38% of all UK adult internet users to BBCi on the web, with a record 43% in March 2003. The number of BBCi interactive television users also continued to rise (see BBCi chart below)
- > Maintained BBC One's share of viewing, increased BBC Two's, and continued BBC Radio's outstanding audience performance (see share chart below). BBC Radio 2 remained the most popular radio station in the UK, ending the year with over 13 million listeners a week and a 15.7% share
- > Averaged 5.7 million viewers for the 6.30pm regional television news – the most popular news programme in the UK
- > Established a Global News division, bringing together all the BBC's international news services

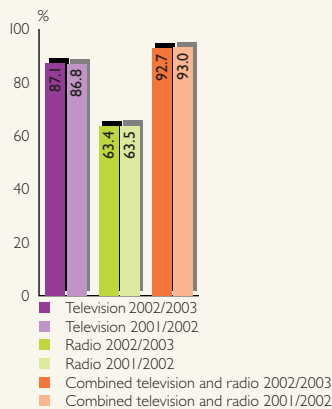
Audience approval of the BBC



Source: National broadcast survey

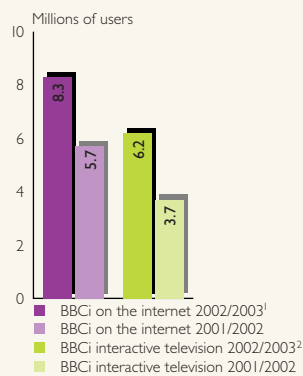
See glossary page 133 for an explanation of the measures used here

Weekly reach of BBC services



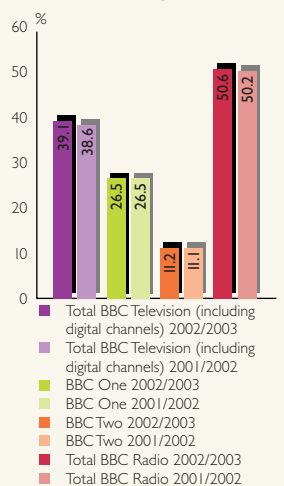
Source: BARB, TNS/Infosys, RAJAR, age 4+, average 15-minute weekly reach for the year

BBCi on the internet and interactive television use



Source: ¹BMRB Access (monthly reach) ²Interactive television tracking study (monthly reach)

BBC share of viewing and listening



Source: BARB, TNS/Infosys, RAJAR, age 4+, average share for the year



Governors' assessment of performance

As Governors, we are responsible for judging how effectively the BBC is fulfilling its public service remit. We monitor the delivery of key objectives which we set last year and assess the performance of every BBC service against a published Statement of Programme Policy. We are advised by a network of advisory bodies across the UK and are supported by a team of professionals, independent of BBC management. This is our assessment of a year of strong BBC performance.

Objective 1: Underpin the BBC's public service remit by extending the range and quality of its radio and television services, with a focus on broadcasting more high-impact, memorable programmes, particularly arts and current affairs.

This year has seen delivery of distinctive, high-impact and memorable programming across the extended range of BBC services on both radio and television. In response to our previous concerns, arts programming on television is showing strong signs of revitalisation. We are also pleased to see new initiatives in current affairs. The main challenges now lie in consistently achieving quality across all BBC content and in the development of a strong, integrated portfolio of services which complement each other.

Network radio has had an excellent year. BBC Radio 4 was voted Sony Station of the Year and for the first time its audience reach exceeded 10 million. It has also been a particularly good year for BBC Radio Five Live with the football World Cup and the Commonwealth Games in Manchester. Overall, BBC Radio ended the year with a weekly audience reach of 67.9% and achieved an average approval score of 7.8 out of ten across all of its services.

Three years ago, we approved a large increase in investment in BBC Television in direct support of this objective and the schedules during this year have reflected the impact of that increase. Real improvements have been achieved on BBC One and BBC Two schedules with strong performances across genres. Highlights include *Great Britons*, *Moses*, *The Fall of Milosevic*, Stephen Poliakoff's *The Lost Prince*, *The Gathering Storm* and *The Office*, as well as outstanding coverage of live events like the Jubilee celebrations.

We approved a new arts strategy for television to build on some high-impact output this year including programmes on Turner, Jane Austen, George Eliot and Vivaldi as well as *Rolf on Art* and Peter Ackroyd's *Dickens*. This year will see further onscreen results, including a new arts strand, *Imagine*, on BBC One.

Current affairs programming has witnessed a revival during the year with significant successes both in long-running strands like *Panorama* and experimentation in new formats like *Real Story*. Event days running across the BBC's services focused on crime and Iraq and reached a total of more than 20 million people. A new peaktime current affairs series will launch later this year on BBC Two. Radio too has had notable successes with *File on Four: Mothers of Dead Babies*, *The Cuban Missile Crisis*, *With Us or Against Us* and *The Making of Saddam*.

The recommendations from the politics review conducted last year are now being implemented and, although it is too soon to judge their overall success, we are satisfied with the ambition of the new programming to engage a wider audience in politics. Some of the early signs are positive with the *Politics Show* recording a 25% increase in audience compared with its predecessor, *On the Record*.

Over the next year, we expect BBC One and BBC Two to work more closely together on scheduling to avoid both channels showing programmes of the same genre at the same time. In addition, we welcome the fact that BBC Two will change its peaktime mix to make its offer more distinctive, mainly by reducing lifestyle programming.

Objective 2: Strengthen the BBC's digital services, to ensure that the overall portfolio has something of value for everyone, provides a wide range of interactive learning opportunities and helps to drive digital take-up.

Following the strengthening of the BBC's digital services, which we believe will help to drive digital take-up on both radio and television, attention now needs to focus on making the portfolio work effectively for audiences, and on further developing the range of interactive learning opportunities on television.



Far left: Niclas Fasth lining up a putt at the 34th Ryder Cup at The Belfry.

Left: Rolf Harris portrayed himself as Toulouse-Lautrec in his second series of *Rolf on Art*.

Right: Allan Little in Havana where he explored the Soviet and Cuban sides to the story of the missile crisis on its 40th anniversary for BBC Radio 4.



2002/2003 has been a landmark year with the launch of the final elements of the digital portfolio developed by the BBC in 2000 and subsequently approved by the Secretary of State. We commend the significant effort made to launch BBC Three and three digital radio networks to complete the BBC's digital offering of eight television and ten radio networks.

There have been some notable successes. The BBC's digital-only television services now reach 35% of digital households compared to 23% last year, and the digital radio networks are already listened to by a larger audience than anticipated with listeners tuning in via digital television and the internet. CBeebies, which launched in February 2002, has established itself as the leading children's channel in the UK. While other services have taken longer to establish themselves, these channels are being launched into a competitive market and will need several years to build audiences. We will monitor their cost and performance closely as they develop further.

A highlight of the past year has been the BBC's commitment to the future of digital terrestrial television through the launch of Freeview. Over 680,000 digital terrestrial boxes were sold by retailers between Freeview's launch in October and the end of March, bringing the total number of homes capable of receiving digital terrestrial television to 1.4 million.

Encouraging progress has been made in the development of interactive learning services. 37 new interactive services were launched around television output such as *The Life of Mammals*, compared with five the previous year. The BBC's broadband television trial in Hull has successfully demonstrated how locally-focused television services can be delivered in a digital environment. The Digital Curriculum, the BBC's online curriculum service, which was approved by the Government in January, will bring our digital learning ambitions to fruition.

We look forward to the Government's review of the purpose and role of the BBC's online services in the light of their success to date.

Improving awareness and audiences for the new digital channels is a priority, and for this reason we have included an extra element in this objective for the year ahead. Objective 2 (2003/2004): Strengthen the BBC's digital services, with the aim of providing something of value for all digital audiences.



Above right: Ross Boatman as JMW Turner in a dramatized biography of Britain's greatest landscape painter.

Right: Tamzin Outhwaite and Danny Young in the drama *Out of Control*, part of the *Cracking Crime* day.

Left: *The Life of Mammals* website attracted 300,000 page impressions a week.

Governors' assessment of performance

In particular provide a wide range of interactive learning opportunities and help to drive digital take-up by extending the availability of the services and focusing on cross-channel commissioning and scheduling.

Objective 3: Bring younger audiences to BBC services by developing bold and innovative programmes and content with a particular focus on making the BBC's news and current affairs more relevant and engaging for this group without diminishing the BBC's commitment to parliamentary reporting.

New services and programming have been launched for younger viewers and we will be monitoring closely the progress of these initiatives over the coming year.

Significant effort has been made over the last year to try to reverse the long-term fall in consumption of the BBC's services amongst under 35s by launching two new targeted services, BBC Three and iXtra. The early signs are promising. BBC Three, which has substantial public service commitments, is already reaching a wider audience than BBC Choice which it replaced in February 2003. We are committed to giving this new channel time to experiment with content and formats and build audiences.

Work has begun to engage younger audiences with news and current affairs as part of the BBC's public service remit. The genre features at the heart of all services targeted at this audience, differentiating them from commercial alternatives. The BBC is experimenting with innovative formats for BBC Three's *The News Show* and iXtra's *TX* using experience gained from BBC Radio 1's *Newsbeat*. That said, people in public workshops we held across the country often say that they are more concerned about the relevance of the content than formats. Over the next year we will be able to determine whether these views are borne out by behaviour.

BBC News online is now a vital part of the BBC's news and current affairs portfolio and is particularly successful at reaching younger people. As younger audiences turn away from traditional media, the BBC has a responsibility to exploit the potential of new technologies to engage them via new media.

It is too soon to judge whether the BBC is managing to bring younger audiences to political programming. Following our approval of a new politics strategy in September 2002, we look forward to new programming which is being targeted at under 35s in 2003/2004. We recognise the scale of the challenge the BBC faces in common with the rest of the media world in trying to connect younger people with politics but the BBC has a public service duty to persevere.

New and existing output, such as *The Daily Politics* and *This Week*, has enabled the BBC to maintain its commitment to parliamentary reporting.

Looking ahead, we will be closely monitoring the development of the new services, output and initiatives developed to try to achieve this objective. The programming needs to be relevant and engaging for this audience while upholding the BBC's editorial standards.

Objective 4: Continue to seek new ways of attracting audiences from the UK's ethnic minorities, through both mainstream and targeted services.

New services and initiatives are being put in place, but it will take time and increased marketing effort to realise the benefits.

The BBC has launched two nationwide radio services aimed at ethnic minorities, a segment of the audience that the BBC finds harder to reach via some of its established radio networks. Six months after its launch as a nationwide digital service, BBC Asian Network has almost tripled its weekly reach to 433,000. While audiences to iXtra cannot be measured accurately yet, evidence suggests that the network is already attracting a wide-ranging audience of young fans of black music via the internet and digital television. One of BBC Radio's biggest ongoing challenges is to serve ethnic minority listeners in London, an area where 46% of the UK's ethnic minorities live.

Eight Race in the Media awards and seven EMMA awards over the last year reflect the BBC's efforts to cater for ethnic minority interests in targeted programming as well as in an increasing range of more mainstream programming, such as *Babyfather* and the *Jamaica 40* season. Extensive efforts have

Right: *Jamaica 40* season celebrated on BBC television and radio.

Far right: BBC Radio 1 live, loud and crowded.



been made by the BBC this year to understand ethnic minority audiences better and we look forward to more output that serves cross-cultural interests, recognising its value in promoting understanding between segments of society. But we also recognise the challenge of getting the right balance of programming to cater for the full range of ethnic minority audiences.

Further progress has been made in increasing ethnic minority portrayal in mainstream programming on television and radio. A significant proportion of the cast of *Holby City* are from minority ethnic groups, as are presenters on all services aimed at younger audiences, reflecting the relatively younger profile of the ethnic minority population. BBC Three is committed by its remit to bringing a diverse range of presenters and talent to screen.

It is disappointing that, despite these efforts, there is little evidence so far that the BBC is attracting more people from ethnic minorities to its output. The reach and share of both BBC Radio and BBC Television amongst ethnic minorities has decreased slightly. Radio's reach fell from 46.9% to 45.2% and television's from 78.6% to 78.3%. Awareness of both BBC mainstream and targeted programming amongst ethnic minorities remains low. Moreover, the BBC also faces intense competition for this audience from the huge range of niche commercial services. We recognise that it will take time to turn around perceptions of the BBC and its output amongst ethnic minorities. Marketing campaigns this year have demonstrated that awareness can be improved with clearer signposting to programming of potential interest.

Objective 5: Ensure that the BBC is meeting the needs of audiences in all nations and regions of the UK.

Following consultation with the Broadcasting Councils for Scotland, Wales and Northern Ireland and the English National Forum, we conclude that the strategy agreed with them in autumn 2000 is enabling the BBC to deliver considerably improved programming and services to audiences across the UK.

Audience approval of the BBC has risen in Scotland, Wales and Northern Ireland, and across the English regions, with

improvements particularly pronounced in Wales and Northern Ireland. Our independent advisory bodies made it clear that they judged the improvement in approval to be a direct consequence of the deployment of increased spending on targeted programming and services over the last two years. The appeal of BBC One has been strengthened in Wales, Northern Ireland and Scotland through increased investment in non-news programmes, including drama and comedy reflecting local culture. A branded zone on the digital version of BBC Two in Wales and Northern Ireland (BBC 2W and BBC Two NI respectively) has provided a venue for creativity and experimentation.

Inside Out, a new regional current affairs programme for BBC One, was launched in all 11 English Regions in September 2002 and has substantially boosted the audience for regional current affairs. The BBC's commitment to well-funded regional television news programming continues to meet audience needs. BBC local news programmes outperformed local competition in all but three areas of the UK. Regional and national audiences' political interests are also being served by the 20-minute opt-out during the *Politics Show*, the BBC One replacement for *On the Record*.

Local and national radio have continued to perform strongly, with audience weekly reach hitting 11.1 million during the year, its best ever reach figure. BBC Radio Wales and BBC Radio Scotland performed particularly strongly, with BBC Radio Wales achieving its highest weekly audience ever. BBC Radio Ulster/Foyle still reaches relatively more radio listeners than any of the BBC's national radio services.

Connecting with local communities via new media has been a focus of the year and a key part of the BBC's public service remit. Last year saw the number of *Where I Live* sites rise to 55 providing the BBC with a local web presence in all areas of the UK and improving the BBC's connection with local communities, particularly the younger segments. Four new Open Centres and eight new BBC buses offering internet training and other learning opportunities are also helping local communities to connect with the BBC.



Left: *Reporting Scotland*, with (l to r) Sally Magnusson, Jackie Bird and David Robertson, is Scotland's most popular television news programme.

Right: *Fame Academy* winner David Sneddon and runner-up Sinead Quinn celebrate with a duet.



Governors' assessment of performance

The BBC recognises and is committed to its public service role to provide indigenous language programming. BBC Radio Cymru has seen a small growth in its reach and share over the last year in line with the increase in the Welsh-speaking population identified by the 2001 Census.

The BBC still faces a number of challenges in trying to serve all audiences across the UK. We note that efforts to develop local drama in Scotland and Wales have yet to attract consistently high audiences but we recognise that it takes time for these initiatives to deliver results. While the BBC's national and regional news output is performing strongly, compared to other news sources, the general decline in early evening news audiences will be a growing challenge and we look forward to other initiatives to try to address this.

Objective 6: Make the BBC feel a more creative, collaborative and exciting organisation, in which all staff fully understand its purpose and values.

The main vehicle for delivering this objective has been the *Making it Happen* initiative launched in early 2002, with the aim of bringing about fundamental cultural change within the organisation over a number of years. Despite the difficulty of assessing cultural change, we are satisfied that a huge challenge has already been met in generating interest and involvement in this project, and in increasing staff understanding of the BBC's purpose and values. We agree with the Executive that it will be vital to maintain momentum over the year ahead to deliver tangible results both for BBC staff and for our audiences with even better programmes.

The year saw the beginning of *Making it Happen* in practice. One early success was establishing *Upfront*, an innovative four-day induction course for all new staff aimed at understanding the BBC's purpose and values. By the end of March 2003 more than 2,250 people had attended. In addition, through a series of consultation sessions, 10,000 staff participated in shaping a vision of the future of the BBC. Six core values emerged during this process which not only emphasise collaboration, respect and creativity, but also put audiences at the heart of what the BBC does and strive for quality and value for money, and trustworthiness. We fully endorse the implementation of these values as a means of

bringing benefit to the people we serve. The values are set out in full on the inside front cover of this report.

Independent research by MORI shows that understanding among BBC staff of the BBC's purpose and values has increased year on year. This same survey showed that corporate level communications from the BBC's top team also scored highly, putting the BBC among the top ten companies in four out of six measures. However, other measures in the MORI research, such as how valued the staff feel, and how collaborative the organisation is, while improving, show there is still much to achieve. For real change to take root, there will need to be more tangible results from the *Making it Happen* initiative in the coming year.

For the year ahead, the BBC has in place a major change plan to implement the new values across the BBC. With this in mind, we have changed the emphasis of this objective to focus directly on *Making it Happen*. Objective 6 (2003/2004): Implement the recommendations of *Making it Happen*, particularly around values and leadership, in order to make the BBC a more creative, collaborative and exciting organisation in which all staff fully understand its purpose and shared values.

Objective 7: Ensure that the BBC is more representative of the audiences it serves.

In particular:

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

The BBC is on track to achieve the targets for ethnic minorities but further effort is needed to improve the representation of people with disabilities.

The BBC hit its 4% target for ethnic minorities in senior management a year early in December 2002, reaching 4.3%



Left: Getting close to local communities – *Digital Storytelling* in Wales.

Right: Hugh Dancy, Romola Garai and Hugh Bonneville in the classic period drama *Daniel Deronda*.



by March 2003, and we are optimistic that this progress can be maintained. The proportion of staff from ethnic minorities at senior management feeder grades is even higher, standing at 6.4% in March 2003.

The proportion of ethnic minority staff across the organisation as a whole has increased to 9.5%, from 8.9% at the beginning of the year, and it is hoped that the BBC will achieve the target of 10% by December 2003. Significant efforts have been made to attract ethnic minorities to the organisation through a wide range of recruitment campaigns and outreach initiatives. Over the last year *The Writers' Room* has run writing masterclasses, competitions and development projects with budding writers from a diverse range of backgrounds across the country. Overall 14% of applications to the third year of BBC Talent came from ethnic minorities and we hope it will bear fruit in future years.

The proportion of staff declaring a disability has fallen slightly over the year from 1.8% to 1.6% by March 2003. Unofficially the actual figure may be higher than this since there is a widely acknowledged unwillingness of some staff who are disabled under the Government's new definition to declare their disability. While we still look to management to improve the representation of disabled people, there are encouraging indications of progress. The BBC has an access strategy in place and is seeking to improve recruitment of people with disabilities through targeted advertising in the disability press. It was also named Diversity in Employment Champion at the British Diversity Awards last November for its *Extend* disability work placement scheme.

We recognise that only if the BBC's programme making, commissioning, scheduling and marketing divisions are representative of the audience they serve, can the BBC hope to connect with its entire audience. The *What's Your Problem?* season of disability dramas and documentaries on BBC Two demonstrated how complex subjects could be tackled on screen and provided a showcase for disabled actors.

Objective 8: Continue to increase the amount of money available to spend on the BBC's public services with a particular focus on:

- **increasing the cash flow to the BBC from improved licence fee collection**

- **increasing the contribution of the BBC's commercial subsidiaries to its public services**
- **further reducing overheads**
- **improving efficiency in programme production whilst maintaining quality of output**

We are satisfied that large steps have been taken to progress this objective. Over the next year, programme production costs need to be benchmarked to determine if further efficiencies are achievable. We have also agreed with the Executive to look for ways to conduct a thorough review of effectiveness-based, value for money measures of BBC performance.

Considerable effort has been made over the past year to increase the amount of money available for programme making. Progress has been made in improving the efficiency of licence fee collection through lower collection costs and reducing evasion to 7.2%. During the financial year, gross licence fee income has increased by £126million of which £54million was raised through improved licence fee collection. In April 2000, a target of 15% was set for overheads as a proportion of output spending. This was met in March 2002. This year the BBC has reduced the cost of overheads still further. They now account for 13% of output spend compared to 24% in 1999.

The BBC's commercial subsidiaries contributed £147million back to the BBC in 2002/2003, up from £142million in the previous year, of which £124million was in cash and £23million was generated by savings in support costs. Only BBC World, the BBC's global television news service, has yet to generate a positive cash flow. It is targeted to break even by 2006.

This report documents how the BBC's licence fee income has been distributed – by genre and by channel. The level of funding of the services is scheduled to stay broadly the same until 2007. It is timely now to conduct a thorough benchmarking exercise to ensure that the BBC's programme costs are justified in relation to the value and quality of its programmes, as compared with other broadcasters.

We will endeavour, over the next year, to go beyond the measurement of unit cost, developing valid and readily comprehensible ways of measuring the value of BBC programmes and services to the licence payer, both as



Left: Don't give up – *The Writers' Room* talent scheme helped 5,000 people.

Right: Christopher Eccleston and Peter Kirby in *Flesh and Blood*, part of BBC Two's *What's Your Problem?* disability season.

Far right: *Sinners*, a powerful drama from Northern Ireland.



Governors' assessment of performance

consumer and as citizen, with particular reference to the BBC's public service remit. For this reason, we have changed the emphasis of this objective to include effectiveness as well as efficiency. Objective 8 (2003/2004): Continue to increase the amount of money available to spend on the BBC's public services by enhancing the efficiency and effectiveness of the way the BBC operates.

Objective 9: Earn greater appreciation from UK audiences for the BBC as an open, creative and trusted public service organisation.

There has been an improvement in the BBC's standing with its audiences, driven by appreciation of the BBC's values and brand. The BBC is consistently the most trusted broadcaster in public surveys. Although much work has been done to gain credit for increased openness, there still remains some scepticism, particularly among opinion formers, as to whether the BBC has done enough.

2002/2003 has seen a continuation of the upward trend in the BBC's approval rating from all parts of the UK. On a scale of one to ten, the BBC averaged 6.8 throughout the year, peaking at 7.1 in January, the highest score since the measure started. In addition, independent industry research by the ITC/BSC demonstrated that the BBC is the most trusted news provider. In answer to the questions "Who do you trust to tell the truth?" and "Are news providers impartial?", the BBC scored more highly than all other broadcasters.

Substantial success has been achieved over the past year in making the BBC more accessible to the communities it serves. There has been improved dialogue with audiences through a series of public accountability seminars and events which have focused on taste and decency, news and current affairs, and on BBCi. The number of contacts made by the public to the BBC rose to almost 2.5 million and 90% of those rated the BBC's customer service as excellent or very good. There is still room for improvement in the way feedback and complaints from audiences are handled within programme departments and a review of this process is now under way.

The BBC's system of governance and accountability has been modernised over the past year to ensure we are able to fulfil our regulatory functions. An independent team now supports us in monitoring the delivery of the BBC's public interest remit. Last year's *Annual Report* was subject to Parliamentary Select Committee scrutiny on the day of publication, making the BBC the only public body to enter into such open public consultation.

We are aware that research among MPs reveals that the BBC does not command equal confidence across the political spectrum. We receive regular reports providing reassurance that the BBC is impartial. Enhanced quarterly reports on the BBC's impartiality will in future enable us to assess this issue even more rigorously (see page 80).

The BBC attaches great importance to its role as a corporate citizen. 2002/2003 saw the launch of the BBC's Corporate Social Responsibility Centre with the function of coordinating all CSR initiatives across the BBC. These include large-scale charity events such as *BBC Children in Need* and *Sport Relief* as well as a range of community and voluntary work undertaken by BBC staff across the country. For more details on the activities of the Corporate Social Responsibility Centre see pages 64 to 66.

For the coming year, the BBC faces some key challenges, particularly in terms of perceptions of its openness. It must ensure the BBC's governance arrangements work well with the new regulator Ofcom; enhance the BBC's accountability to Parliament; increase accessibility, and demonstrate even more actively our commitment to corporate citizenship.

Objective 10: Build on the impact made by the BBC's global news services in the past year through a coordinated global news strategy across radio, television and new media.

2002/2003 saw the formation of a new division, BBC World Service & Global News, bringing together under one



Left: DJs Rampage in the new digital studios of iXtra.

Right: Meera Syal with Jimi Mistry in *The Kumars at No.42*.



management all the BBC's international news offering on radio, on television and online. In addition, we approved a coordinated global news strategy as central to the BBC's reputation and brand abroad. BBC coverage of the war in Iraq demonstrated the heightened impact of that strategy. All international services responded outstandingly, resulting in large increases in audiences for BBC World, and a huge rise in use of the BBC's international website.

BBC World Service celebrated its 70th anniversary in December with 14 hours of live broadcasting culminating in a special birthday lecture given by the United Nations' Secretary General, Kofi Annan. His personal testimony reflected BBC World Service's reputation as the international broadcaster most recognised for trust and objectivity. In an increasingly competitive radio market, BBC World Service has maintained its 150 million weekly listeners but, as short-wave listening declines, it faces the continuing challenge of building ever more partnerships with FM rebroadcasters across the world.

The commercial television service, BBC World, has seen a 25% increase in distribution in the past year. It is now available in 255 million homes in more than 200 countries and territories, of which over 100 million homes have 24-hour availability. A new business plan for the channel, approved by the Governors and Fair Trading Compliance Committee, aims for the channel to break even in 2006. This year the channel was on budget with a £15million loss. During the war in Iraq, BBC World dramatically increased its distribution and built its reputation, particularly in the United States, but, at the same time, it lost revenue as a result of reduced advertising during the conflict.

BBCi launched an international-facing news site last July, which enables international online users to access stories more easily. Online traffic has increased by over 200% in the past year with 227.7 million page impressions recorded in March 2003 for the combined international-facing site in English and BBC World Service's language sites. Much of that growth is attributable to the war in Iraq, so the challenge for the year ahead will be both to maintain that growth and to build awareness of the BBC's new media offer.

Joint editorial initiatives such as *Talking Point*, aired across all three platforms, have engaged international figures such as Hamid Karzai, Aung San Suu Kyi and Tony Blair in global

interactive debates with audiences. One of the aims for the year ahead will be to develop such joint initiatives further to the benefit of all BBC services. We look forward to the full implementation of the global news strategy which will strengthen further the BBC's impact and reputation abroad.

Performance against the BBC Statements of Programme Policy 2002/2003

In July 2002 the BBC published its first set of *Statements of Programme Policy*, explaining how it planned to deliver its public service remit in 2002/2003. The Statements were based on the objectives we set for the year.

Performance against the Statements includes the quality, range and distinctiveness of programmes and content. The Review of services in this *Annual Report* (on pages 20 to 49) describes what each service has delivered.

In addition, The *BBC Statements of Programme Policy 2002/2003* included a number of measurable commitments in key areas. A report on performance against these is included on page 122. The vast majority of the measurable commitments has been achieved.

We consider that overall the BBC's contribution to public service broadcasting in 2002/2003 delivered the ambitions set out in the Statements.

The BBC published *Statements of Programme Policy 2003/2004* in April this year. Next year's *Annual Report and Accounts* will report on performance against them and on further progress on the BBC's objectives.

Upholding editorial standards

The Governors ensure that the BBC maintains high editorial standards, monitoring its compliance with the *BBC Producers' Guidelines* and with the Code on Impartiality and Accuracy included in them. Overall, we were satisfied that in 2002/2003 the BBC had met the standards expected of it (see page 80).

Our oversight of impartiality included introducing quarterly, rather than half-yearly, reporting and the introduction of assessment by independent external experts. Over the next year, we will undertake more work to satisfy ourselves that BBC output continues to meet the highest standards of impartiality.



Far left: Nick Woolley in southern Iraq in March 2003.

Left: David Dimbleby leads the BBC One debate, *Iraq - Britain Decides*.

Right: *Inside Out* Midlands presenter Ashley Blake.



Director-General's review



In the 12 months between February 2002 and February 2003 the BBC launched more new national services than in the previous 80 years: in all we launched four national television channels and five national radio stations. It was a remarkable achievement that all were launched successfully, on time and were of high quality. These new channels fulfilled the BBC's commitment both to extend choice for licence payers and to promote the development of digital Britain.

Among the new television channels were two, CBeebies and CBBC, which have taken first and fifth place respectively for audience share among children's channels, within 12 months of going on air, by offering distinctive British-based content. BBC Four has had a very successful first year, winning Royal Television Society and documentary awards and reaching more than 12 million viewers with its eclectic mix of arts, drama, performance and current affairs. This year we also secured consent from the Government to launch BBC Three, aimed at younger adults. When we launched it in February 2003 it completed our new digital channel portfolio and surprised many with the breadth and originality of its UK-based productions.

BBC Radio is playing a catalytic role in the take-up of digital radio with five new stations: BBC Five Live Sports Extra, 6 Music, 1Xtra, BBC Asian Network and BBC 7. Digital radio has started to come of age this year with many more listeners via the internet and digital television. Analogue BBC Radio has enjoyed yet another extraordinary year, winning over 53% of the available audience in the first quarter of 2003. BBC Radio 4, the UK's biggest investor in new radio drama, broke records again and won the Sony Station of the Year award, while BBC Radio 2 firmly remains the nation's most popular radio station with over 13 million listeners a week.

BBC Television is sometimes criticised for failing to produce programmes of range and distinction but viewers must judge for themselves. A revitalised and refreshed BBC One is now established as Britain's favourite channel and continues to lead ITV in audience share. In an Independent Television Commission survey which asked viewers which channel they would choose if they could only have one, BBC One came out top for the first time. BBC Two leads innovation on British television and, after a very successful year, is now introducing more current affairs and arts programmes into peak viewing.

News, broadcast impartially and independently, is at the heart of our public service remit. We have stuck to these principles, often in the face of intense political and commercial pressure, through a violent and uncertain period. One measure of how much the public trusts and values this commitment is that 93% of the UK population used BBC television, radio, text or online services in the first two weeks of the war in Iraq. Our news, current affairs and BBC World Service journalists took great risks to bring impartial accounts of the conflict to the British public and audiences around the world. Award-winning BBC cameraman Kaveh Golestan and Kameran Abdurazaq Muhamed, a Kurdish translator, were



Left: BBC World Affairs Editor John Simpson was injured in northern Iraq.

Above left: BBC Three launched in February 2003, completing the BBC's portfolio of television services.

Above: The award-winning BBC Sport campaign for the World Cup.

both killed. John Simpson, Stuart Hughes, Craig Summers, Fred Scott, Tom Giles and Dragan Petrovic were all injured. We owe them all a great debt.

Bringing the UK together for times of great national celebration is another of the BBC's central purposes. The summer of 2002 saw the BBC do just that and help create a joyful national mood. The BBC staged classical and pop music concerts from Buckingham Palace for the Queen's Golden Jubilee and captured the imagination of the public at home and around the world, with more than 29 million people watching our television coverage in the UK alone. The World Cup 2002 and the Manchester Commonwealth Games completed this happy summer counterpoint to the sometimes solemn and formal nature of our unique national role.

The first full year of increased investment in BBC Nations & Regions has seen a rise in approval for the greater range of distinctive national and regional programmes. We continue, through our drama and current affairs programmes, to make sure we serve all audiences in the UK. BBC regional television news programmes now outperform the commercial competition in all but three areas of the UK and over the year the 6.30pm BBC regional news has remained the most popular news slot on British television.

Letting audiences know about the wealth of BBC content enables licence payers to get the most value from our services. Our award-winning marketing and communications campaigns have often become talking points in themselves. Important as connecting programmes to our audiences is, we have also achieved a much greater understanding of our viewers and listeners through our call centres and online forums.

Delivering value for money for licence payers and values for our staff are complementary objectives. Eighteen months ago we launched *Making it Happen* with the ambition of making the BBC the most creative organisation in the world. At the same time we are engaged in driving down costs. On both fronts we are making progress. We have reduced overhead costs from 24% to 13% in three years and, partially as a result of this, have increased programme investment by £616million over two years. In the past year 10,000 of our employees attended *Just Imagine* staff sessions, resulting in a series of initiatives including the publication of our six core values, which we believe will help make the vision of a One BBC that serves and enriches all our lives a reality.



Greg Dyke
Director-General



Above: BBC Four's broadcast of the world premiere of Nicholas Maw's new opera *Sophie's Choice*.



Left: Andy Kershaw and Verity Sharp, BBC Radio 3 presenters for the 2002 WOMAD festival.

Right: *Balamory* produced by BBC Scotland for CBeebies.



Executive Committee

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

Jenny Abramsky CBE Director of Radio & Music since April 2000. Responsible for BBC Radios 1, 2, 3, 4, Five Live, Asian Network, 6 Music, 1Xtra, Five Live Sports Extra, BBC 7, television classical music, *Music Live*, the *BBC Proms* and the three BBC orchestras based in England. Previously Director of Continuous News; Director of Radio; Controller of BBC Radio Five Live; Editor, Radio News & Current Affairs, and Editor, *Today* programme.

Jana Bennett OBE Director of Television since April 2002. Responsible for the BBC's output on BBC One, BBC Two, BBC Three and BBC Four and for overseeing content on the UKTV joint venture channels BBC America and BBC Prime. Previously General Manager and Executive Vice President at Discovery Communications Inc. in the US. Former positions include Director of Production at BBC; Head of BBC Science; Editor of *Horizon*, and Senior Producer on *Newsnight* and *Panorama*.

Glenwyn Benson Director, Factual & Learning since January 2003. Joint Director, with Michael Stevenson, March 2001– January 2003. Responsible (until January 2003 with Michael Stevenson) for all general and specialist factual programmes and content, and learning for both adults and children, across television, radio and interactive media. Previously Controller of Specialist Factual programmes. Former positions include Head of BBC Science and Editor, *Panorama*.

Mark Byford Director of World Service & Global News since October 2001. Responsible for all the BBC's international news and information services across all media including BBC World Service radio, BBC World television and the international-facing online news sites. Previously Director of Regional Broadcasting. Former positions include Head of Centre, Leeds and Home Editor Television News.

Stephen Dando Director of Human Resources & Internal Communications since June 2001. Responsible for all BBC people and organisation issues, including staff communications. Previously global Human Resources Director at Guinness Limited. Former positions include Group Management Development Director; Diageo, and spells with UDV Europe, United Distillers, Ferranti International and Austin Rover.

Andy Duncan Director of Marketing & Communications since June 2001. Responsible for all the BBC's marketing, publicity, press and PR,

customer services and audience research activities. Previously European Director for Unilever's Food and Beverages division. Former positions include UK Marketing Director then European Marketing Director with Unilever's UK Food and Beverages division and Chairman of the Tea Council.

Carolyn Fairbairn Director of Strategy & Distribution since April 2001. Responsible for strategic planning and the distribution of BBC services. Previously Director of Strategy, BBC Worldwide Limited; working in the Downing Street Policy Unit, and for McKinsey and Company.

Roger Flynn Chief Executive of BBC Ventures Group Limited since June 2001. Responsible for the BBC's commercial media services businesses: BBC Broadcast Limited, BBC Technology Holdings Limited, BBC Resources Limited and BBC Vecta Limited. Previously Managing Director of Prudential Retail. Former positions include General Manager,

The Executive Committee, from left

Back row: Alan Yentob, Mark Byford, Jana Bennett, Roger Flynn, Caroline Thomson, Greg Dyke

Front row: Pat Loughrey, Jenny Abramsky, Peter Salmon



World Sales and Distribution, British Airways and Commercial Director; Virgin Communications Group.

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

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

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

Peter Salmon Director of Sport since November 2000. Responsible for all BBC Sport activity across television, radio and new media. Previously Controller; BBC One, for three years. Former positions include Director of Programmes at Granada TV; Controller of Factual Programmes at Channel 4, and Head of Features at BBC Bristol.

Richard Sambrook Director of News since March 2001. Responsible for broadcast news operations and the provision of daily news and current affairs programming for all UK-wide BBC television, radio and online services. Previously Deputy Director; News. Former positions

include Acting Director of Sport; Head of Newsgathering, and News Editor and Deputy Editor; *Nine O'Clock News*.

John Smith Director of Finance, Property & Business Affairs since April 2000. Responsible for all BBC finances including television licence collection and property strategy. *AccountancyAge* Financial Director of the Year (2001). Previously with British Rail Group, overseeing de-mergers. Non-executive director of Vickers plc until December 1999. Member of the Accounting Standards Board.

Caroline Thomson Director, Policy & Legal Division (Director of Public Policy, July 2000 – May 2003). Responsible for the BBC's main policies in editorial, regulatory and compliance areas, legal affairs, government relations, corporate social responsibility and for the handling of programme complaints. Previously Deputy Director, BBC World Service. Former positions include Director of Strategy & Corporate Affairs, BBC World

Service; Commissioning Editor; Science & Business at Channel 4 and political assistant to Roy Jenkins.

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

Michael Stevenson was Joint Director, *Factual & Learning* from April 2000 until January 2003. He was responsible (with Glenwyn Benson) for all general and specialist factual programmes and content, and learning for both adults and children, across television, radio and interactive media.



From left
Back row: Glenwyn Benson, Rupert Gavin, Richard Sambrook, Ashley Highfield, Andy Duncan
Front row: Stephen Dando, Carolyn Fairbairn, John Smith



Popular choice

BBC One is Britain's most popular channel with the widest range of programmes of any broadcaster.

This has been a pivotal year for BBC Television as it aimed to extend the depth, range and impact of its programmes while establishing new free-to-air channels as part of the BBC's portfolio for the digital age.

With more than half the UK population now able to view multichannel broadcasts, BBC Television competes in a rapidly changing broadcasting world. This year the BBC aimed to improve range and distinctiveness with a stronger focus on arts across all the channels, the refreshment of politics and current affairs, a new strategy for religion and more ambitious content on BBC One. The public responded positively with share of viewing and reach for the channel portfolio improving in both analogue and digital homes.

The launch of the digital terrestrial service Freeview in November enabled the BBC's new television services to be received by those who previously did not consider digital to be for them. The new digital channels can also be sampled by analogue viewers on dedicated programme zones on BBC One and BBC Two.

Delivering its ambitions means working with the widest possible range of creative talent and developing better relations with the UK's independent producers, which BBC Television is actively undertaking.

BBC One

Overall it was a strong year for BBC One. According to the ITC/BSC survey *The Public's View 2002*, BBC One is now the channel most people would choose if they could have only one. Its share of viewing was less than 0.1% lower than last year despite the continuing growth of viewer choice and it remained the UK's most watched channel.

The second year of a three-year strategy to refresh BBC One, with the benefit of a £90million increase in budget,

focused on the channel's unique role in covering major events in UK life and on improving popular drama.

BBC One's drama repertoire spanned period productions like *Daniel Deronda* and *The Lost Prince*, modern political intrigues such as *The Project* and satire like *Jeffrey Archer – The Truth*. Other highlights included the award-winning social drama *Out of Control*, shown as part of the *Cracking Crime* day, and the successful debut of contemporary thriller *Spooks* and the modern, Manchester-based drama *Cutting It*.

Returning series that performed well included *Born and Bred*, *Judge John Deed*, *Red Cap*, *Murphy's Law*, *Messiah* and *The Inspector Lynley Mysteries*. Long-running drama serial *EastEnders* consistently provoked debate about subjects rarely aired before the watershed. *Casualty* and *Holby City* maintained a substantial following as did *Doctors* in daytime. Drama also played a key role as part of a wider initiative to improve BBC appreciation among Northern audiences. The exploits of the Geordie builders in a new series of *Auf Wiedersehen, Pet* attracted audiences of over 10 million viewers. *Merseybeat* brought in a well above average share in the North West and attracted an average 6 million viewers with a 25% audience share across the UK.

Opening doors to new subjects that viewers might not ordinarily watch is the cornerstone of the BBC One arts strategy. Landmark arts programming included a documentary on the painter Turner, while the drama *Daniel Deronda* and film *Mansfield Park* were supported by documentaries on the authors George Eliot and Jane Austen on whose work they were based. *Rolf on Art* attracted an average audience of 5.7 million for its second series.

BBC One's popularity stems in part from its commitment to provide unique live broadcasts of great moments of national and international life. The past year saw coverage ranging

Facing, left: Stephen Poliakoff's first period drama for BBC One, *The Lost Prince*, revealed the touching story of Prince John, the epileptic younger son of King George V and Queen Mary.



Left: Robert Lindsay and Zoë Wanamaker returned as Ben and Susan Harper in the much loved comedy *My Family*.

Review of services: Television

Anne Robinson and Phillip Schofield's annual test of the nation's IQ exploited the possibilities of both interactive television and the website to involve viewers.



from the solemnity of the Queen Mother's funeral and the memorial service for the British victims of the 11 September New York terrorist attacks, to the joyous atmosphere of The Queen's Golden Jubilee concerts, with the *Party at the Palace* attracting 15 million viewers at its peak.

2002 was the summer of sport on BBC One. A fresh approach to coverage won new fans and ground-breaking interactive technology led 4 million viewers to click their remote control red button during the World Cup football and Wimbledon tennis. Helped by the BBC's presentation team, audiences peaked at over 13 million for five of England's World Cup games, making BBC One the overall popular winner with viewers. The memorable summer concluded with the Commonwealth Games from Manchester, for which the BBC Sports team won a BAFTA award.

Strengthening current affairs with high impact analysis programmes has been a priority. *Panorama* made headlines with major exclusives on horse racing corruption, the dangers of Seroxat and investigations into global terrorism. *Inside Out* (see English Regions, page 38) was launched when regional current affairs moved from BBC Two to BBC One, doubling the average audience to 3.4 million viewers a week. Westminster coverage moved from BBC Two to BBC One with the new programme *This Week*.

BBC One broadcast around 25 major peaktime factual series and single programmes. Landmark natural history and science programmes were enhanced by interactive television. David Attenborough's *The Life of Mammals*, along with Robert Winston's *Human Instinct* and the innovative day-long event *The Abyss Live*, combined quality with impact. A new strategy for religious programmes based around scrutiny, celebration, diversity and surprise was reflected in *Moses* and *The Virgin Mary*, which combined state-of-the-art computer graphics and

dramatic reconstructions to produce high-impact peaktime films. These complemented scheduled faith services and series such as *Songs of Praise* and *The Heaven and Earth Show*.

BBC One remains firm in its commitment to making serious issues accessible to everyone. Factual event days on crime and Iraq sparked national debate and both reached around 7 million viewers. The *Hitting Home* season engaged audiences with the difficult subject of domestic violence through a creative mix of documentary, current affairs and drama.

Creating events, as well as broadcasting them, is central to BBC One and the fully interactive and entertaining *Test the Nation* – the annual national IQ challenge – provoked debate and perplexity in equal measure among millions of viewers.

The CBBC zones alongside daily children's programmes on BBC One and BBC Two have proved to be a success with young audiences. *The Saturday Show* on BBC One took the lead from ITV for the first time in three years.

Fame Academy gave budding performers the chance of a lifetime to be trained by the best in the music business while raising nearly £1 million for musical bursaries for young people. The final was the top-rated entertainment programme on BBC One for the 16 to 34 year old age group in 2002 (excluding Christmas week).

Daytime television continued to win new audiences and develop programmes like *Bargain Hunt*, *Escape to the Country* and *Flog It!* that can transfer to peak time. Creating original daytime single drama is a risk, but BBC One took it on successfully with the launch of *The Afternoon Play*.

While Friday night with *My Family*, *Alistair McGowan's Big Impression*, *All About Me*, *Friday Night with Jonathan Ross* and *Have I Got News for You* – which made the news itself –



Left: Goal! David Beckham's penalty beats Argentina in the 2002 World Cup.

Right: Professor Robert Winston explored why we behave the way we do in *Human Instinct*.

Below right: *This Week* brought a fresh approach to late night political discussion on BBC One.



Summer of sport

Four of the year's top-rated television programmes featured England's World Cup football matches.

struck a rich seam, Saturday night entertainment is still one of the most challenging areas for BBC One. No single compelling format has broken through in the year although *The National Lottery Jet Set*, *The Weakest Link Celebrity Special*, *Comic Relief Does Fame Academy* and one-off specials such as *Elton John at the Albert Hall* have been more successful. The return of *Parkinson* bolstered the late evening schedule.

BBC One is the only UK channel to invest substantially in providing a family Christmas schedule and that commitment was rewarded. BBC One was once again the most popular channel during the festive season, with the special edition of *Only Fools and Horses* winning a 67% share of the audience.

Over the year, intense competition led to a decline among younger audiences in the South East. However, new presenters and more ethnic minority casting on popular mainstream programmes have led to a substantial rise in approval. Nonetheless, the share of viewing amongst minority audiences dropped. These are challenges for the year ahead.

BBC Two

BBC Two's continued strategy of bringing intelligence, sophistication, innovation and pleasure to a diverse audience has delivered considerable success over the past year. The quality of the channel's output has been consistently high, winning it 30 awards.

Channel-defining strands like *Newsnight*, *Correspondent*, *Horizon*, *Timewatch* and *The Money Programme* provided a strong core for BBC Two's mixed-genre schedule. BBC Two's ability to address factual subjects with conviction produced *The Hunt for Britain's Paedophiles* which was three years in the making and *El Alamein* won critical and ratings success. There were large audiences for the second series of *A History of Britain*, the religious documentary *Country Parish* and the revitalised motoring classic, *Top Gear*. The channel's reputation



Above right: Manchester hairdressers in love and war in BBC One's drama, *Cutting It*.

Right: *Tipping the Velvet*, BBC Two's colourful Victorian lesbian love story.

Left: Charles Darwin, Andrew Marr's natural selection for *Great Britons*, came fourth with viewers.



Review of services: Television



as the home for breakthrough comedy grew with *Double Take* and *Dead Ringers* and the multi-award-winning comedy *The Office*, while *Marion and Geoff*, *I'm Alan Partridge*, and *The League of Gentlemen* returned to great success.

Drama on BBC Two included *Tipping the Velvet*; *Murder*; *Real Men*; *Flesh and Blood*, the centrepiece of a BBC Two disability season; *This Little Life*, a powerful one-off drama that won the Dennis Potter award for new screenwriting; and Albert Finney's award-winning portrayal of Sir Winston Churchill in *The Gathering Storm*.

The wartime leader was the eventual winner of *Great Britons*. With nominees spanning 400 years of British culture from Queen Elizabeth I to Princess Diana, the series set the country talking. The critical and popular success of *Great Britons* made it one of the ten most memorable BBC programmes in late 2002. Building on that success, *The Big Read* has now set out to find the UK's best-loved book and extend the BBC's commitment to promoting literacy.

BBC Two uses a range of genres to reflect the experiences of diverse audiences. A major success has been the continued commitment to higher impact programmes such as the *Jamaica 40* season, *Babyfather* and *The Kumars at No.42*, along with *What's Your Problem?*, which dealt with issues of disability in a series of dramas, documentaries and short films.

BBC Two's success in leisure-based programming such as gardening, cookery and house makeovers, has been widely adopted by the rest of the industry. A new strategy, set out in the *BBC Statements of Programme Policy 2003/2004*, will aim for a reduction in makeover programming and the introduction of more arts and current affairs output into the peaktime evening schedule, while continuing the channel's drive to reinvent and reinvigorate contemporary factual output from *What Not to Wear* to *Life Laundry*. The challenge



Top left: Albert Finney won a US Golden Globe as Sir Winston Churchill in *The Gathering Storm*.

Left: *3 Non-Blondes*, the first all-girl hidden camera comedy show, on BBC Three.

Above left: BBC Two's *The Hunt for Britain's Paedophiles*.

Above: Successful new drama *Burn It*, on BBC Three.

Digital futures

From February 2002 to February 2003 the BBC launched four new digital television services.

over the next year will be to refocus key areas of the evening schedule to deliver that objective.

BBC Three

The launch of BBC Three to replace BBC Choice in February 2003 completed the BBC's television channel portfolio and equipped it to reach the 25 to 34 year old audience who were being underserved by the BBC. The richness and breadth of the opening few weeks' programming mix surprised many and enabled it to reach 25% of the target audience. While it is still early days, the channel's weekly reach of 15.1% is significantly higher than the audience for BBC Choice.

BBC Three's ambition is to reach discerning, media-savvy young viewers who have high and varied expectations from modern television. Unusually for a digital channel, BBC Three offers a mixed schedule, with at least 90% home-grown programmes, more than 80% of which are first-time commissions. This commitment to original British production has led to experimental and radically different programmes such as the animations *Angry Kid*, from the Oscar-winning team that created *Wallace and Gromit*, and the surreal comedy *Monkeydust*.

BBC Three has a strong commitment to providing its audience with relevant news, documentaries and current affairs. Original investigations such as *Blood Diamonds* and *Jailed by the State* were screened and new formats such as *The War This Week* were taken up by BBC One. *The News Show* won recognition for its fresh approach to the day's events in a peaktime strand while *The Third Degree* is gaining recognition as an innovative and authoritative current affairs programme. The channel explored difficult issues with bold series like *Body Hits*, looking at the biological impact of an excessive lifestyle on the human body.

BBC Three has already succeeded in transforming traditional genres and pushing the boundaries of cross-genre collaboration. *Celebdaq* is the first television programme

to be commissioned from a web format on BBCi and brings to life the workings of stock markets in an accessible and hugely popular way, gaining 5 million page impressions on the BBCi website each week.

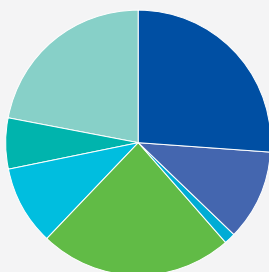
Original comedy and entertainment are important genres for younger audiences. *3 Non-Blondes* and former *Fast Show* regular *Swiss Toni* have become hits while *Two Pints of Lager and a Packet of Crisps* attracted good ratings for a digital channel. Well known entertainment talents Dom Joly and Johnny Vaughan have become established faces on the channel. Other successes included the new drama serial *Burnt It*, *Grease Monkeys*, featuring young Asian talent, and the hip architecture series *Dream Spaces*.

After a good launch, BBC Three now has the difficult task of converting a strong brand identity into greater audience share over the next 12 months.

BBC Four

It has been a very successful first year for BBC Four, which has established itself critically, winning RTS, BAFTA and Grierson documentary awards, and won a vociferously loyal core audience. BBC Four's other unique output has brought intellectual innovation to what had been a sparsely served section of multichannel broadcasting.

The Pinter at the BBC season, in collaboration with BBC Two, presented the greatest television tribute to a living playwright by broadcasting all his works, and enriched both channels. BBC Four offered context and depth to BBC seasons and extra programming such as the Billy Elliot documentary at Christmas, which followed the film's premiere on BBC One and was watched by 400,000 viewers. Other collaborative benefits included increasing the number of episodes of *Storyville* from eight to 52 and provocative documentary series like *Holidays in the Axis of Evil*



Total television share (%) all homes 2002/2003

- BBC One 26.5% (18.8%*)
- BBC Two 11.2% (6.0%*)
- BBC digital channels 1.4% (3.3%*)
- ITV1 23.9% (18.2%*)
- Channel 4 9.8% (6.2%*)
- Five 6.3% (4.1%*)
- Other channels 20.9% (43.3%*)

* Share in digital homes for 2002/2003 shown in brackets

Source: BARB, TNS/Infosys, age 4+ Differences due to rounding

Total BBC Television share 39.1% (2001/2002 38.6%)

Right: Aardman Animation's *Angry Kid* on BBC Three.



Review of services: Television

Storyville on BBC Four and BBC Two showed documentaries from internationally-respected film makers. Here, *More than a Life* by Luke Holland.



which brought new talent and programming to both BBC Two and BBC Four.

BBC Four has enabled the BBC to offer a degree and depth of originated contemporary arts coverage not previously available on subscription in multichannel households. As the sponsor and broadcaster of the Samuel Johnson Prize, the channel has helped to bring a higher profile to non-fiction publishing. It offered two extra weeks of *BBC Proms* coverage and pioneered simple, interactive programme notes for each concert. The channel's role in supporting the arts led to BBC Four sessions at the Barbican and a growing involvement with global music, showcased in coverage of the BBC Radio 3 Awards for World Music. The *Readers and Writers Roadshow* toured the UK to enable well known authors to talk directly to audiences.

BBC Four has brought some challenging and controversial material to the screen including *The Situation Room* and *Strange New World*. Such programmes are part of its remit to encourage programme and film makers to take risks. Documentaries such as *Ceausescu – King of Communism*, *In Love with Terror* and a profile of the controversial fashion photographer Corinne Day, who originated the 'heroin chic' look in the 1990s and discovered British supermodel Kate Moss, showed the rewards of this dynamic approach.

Single drama and world cinema have been distinctive elements in the channel's diverse programming. BBC Four has taken bold steps towards becoming the home of world cinema on British television and broadcast the premiere screening of a number of significant films including François Dupeyron's controversial anti-war drama *The Officers' Ward*.

Collaboration with the theatre world brought productions to the screen, including *Vincent in Brixton* which was nominated for three Olivier awards, Michael Frayn's intellectually

absorbing *Copenhagen* and Peter Nichols' *A Day in the Death of Joe Egg*.

BBC Four has also brought a global perspective to reporting news and current affairs which allows it to span the gap between these genres in its mid-evening *BBC Four News*.

Although low audience figures for individual programmes attracted adverse press comment, the channel was watched by more than 12 million people in its first year. While it was never envisaged as a mainstream channel, the challenge for BBC Four is to broaden its audience in its second year.

CBBC

The CBBC channel offers new, mainly UK programming, in a mixed-genre schedule for the six to 12 age range. After a slow start, by the end of the year it had risen from 16th to fifth place for share of children's viewing. Its average weekly reach amongst children was 6.5%. Unlike many other children's channels, CBBC offers an alternative platform for those who want British content. Despite encouraging signs of growth, improving its audience performance further is a priority for the coming year.

Bold new series such as *Stitch Up*, *Kerching!*, *Serious Jungle* and the original drama premiere of *My Dad's The Prime Minister*, augmented with familiar series *Byker Grove* and *Grange Hill*, have helped create the distinctive appeal of CBBC. BBC Scotland has been an important provider of channel exclusives such as the fantasy series *Raven*, a blend of game show, intrigue and suspense. More than three-quarters of the CBBC budget is spent commissioning new and original programmes, accounting for a quarter of all airtime.

The number of daily bulletins produced by *Newsround* increased to seven a day and included a week of live broadcasts from Africa and war bulletins from Iraq.



Left: 17 years after it was commissioned, the BBC screened *The Falklands Play*, Ian Curteis' dramatisation of Margaret Thatcher's war preparations, on BBC Four.

Right: Darcey Bussell and Jonathan Cope perform *Tryst* filmed in France and shown on BBC Four.



Music in the night

The Queen's Jubilee *Prom at the Palace* achieved one of the highest ever audiences for a classical concert on television.

Class TV, blocks of curriculum-based programming for teachers and school-age children, has been an important part of the schedule with programmes across English, history, geography and languages.

The new children's digital channels make extensive use of interactive content. CBBC monthly page impressions passed the 16 million mark in December 2002 and the website became the eighth most popular destination on BBCi.

CBeebies

CBeebies, which offers a range of educational and entertainment programmes to children under the age of six, has built on its success since its launch in 2002 and is now the most popular children's channel in digital homes with an average weekly 15.2% reach and 6.9% share of all children's viewing.

It is a safe, dedicated space for pre-school children to watch, play and learn, and reinforces the trust between parents, their children and the BBC. It has met its remit of offering 80% originally-produced programmes with a strong interactive learning through play element.

Outstanding programmes over the year included the premiere of the first preschool drama, *Balamory*, made by BBC Scotland; the new magazine show *Tikkabilla*, and flagship shows, *Fimbles*, *Teletubbies* and *Tweenies*.

CBeebies included more educational programming throughout the day than any other channel aimed at this age group. The CBeebies website achieved between 7 million and 8 million page impressions per week providing further learning opportunities through games and stories, and advice for parents to help their children develop their full potential.



Above right: BBC Scotland produced *Balamory* for CBeebies.

Right: Bold new series *Stitch Up* launched on CBBC.

Left: *Serious Jungle* gave eight children the chance to help endangered orang-utans.

Review of services: Radio



2 remains 1

BBC Radio 2 is the most listened-to station in the UK with 13 million weekly listeners.

In its 80th anniversary year, the BBC's portfolio of national radio networks was transformed with the completion of the launch of its new digital services. It was an historic year in other ways, with unique live broadcasts of the Queen's Jubilee Concerts, *Music Live* across the UK, and award-winning music and speech, documentary and reportage that won record audiences.

The year ended with the BBC attracting 53.5% of the total radio audience and reaching 33.3 million people a week, a year on year increase of 400,000 listeners. The record listening figures came at the end of a year of challenge, consolidation and innovation for BBC Radio with considerable changes of talent, tough commercial competition and the development of new digital and online services. To stay at the forefront of the digital broadcasting revolution BBC Radio completed the successful launch of its five digital stations – BBC Five Live Sports Extra, 6 Music, 1Xtra, BBC Asian Network and BBC 7.

BBCi websites are an integral part of each network and the new BBC Radio Player offers the chance to listen again to many radio programmes during the seven days after broadcast. It has revealed significant audiences for audio on demand – approximately a million requests are received each week, just ten months since launch.

Almost all of the BBC's national networks posted record listening figures, although for a second year BBC Radio 1 experienced a slight decline in its target audience of 15 to 24 year olds. It nevertheless achieved a small growth in reach among younger female listeners. BBC Radio 2 consolidated its position as the UK's favourite station with a weekly reach of 13.2 million, up a third of a million on the previous year and with a 15.7% share. For the first time in five years, BBC Radio 3 consistently achieved a reach of over 2 million listeners a week although its share was fractionally down

at 1.1%. BBC Radio 4 had a particularly good year, achieving a record reach of over 10 million and a share of 11.8%. It was also awarded Sony Station of the Year. BBC Radio Five Live ended the year with a reach of 6.4 million, while share was up slightly at 4.7%.

BBC local and national radio services also had outstanding figures with a record weekly reach of 11.1 million and a share of 11.5% (see Nations & Regions, pages 36 to 41). For the first time the UK audience to the BBC's digitally-delivered World Service was measured at an impressive 1.4 million (see pages 50 to 53 for a full BBC World Service report). BBC Asian Network was also measured nationally for the first time and recorded a weekly reach of 433,000. There continues, however, to be room for improvement in BBC network radio reach in Northern Ireland, Scotland and the North of England and also amongst black and Asian adults in London, although outside the capital listening is evenly balanced between ethnic minority and white listeners.

BBC Radio 1

For many young people BBC Radio 1 is their first introduction to the BBC's public service values. The station is listened to by half the UK's 15 to 24 year olds and has a weekly reach of 12.8 million (aged four and over) and an audience share of 8.4%. Reaching this demanding and constantly changing audience is a challenge for BBC Radio 1. It continues to be the most successful national network in its appeal to youth and ethnic minority audiences. However, BBC Radio 1's reach and, in particular, its share have declined in the face of competition from the commercial sector for young listeners.

Sara Cox's *Breakfast Show* remains the most listened to youth breakfast show in the UK, attracting an average 7 million listeners a week. The newly relaunched *Official Chart Show*, now hosted by 24 year old Wes Butters, saw its audience grow to 2.7 million. John Peel was awarded the 2002 Sony



Facing, left: Jeremy Vine became the new lunchtime voice of BBC Radio 2. Above: Destiny's Child hit the road for BBC Radio 1.

Right: Sara Cox meets her fans at *One Big Sunday*.



Right: At 24, Wes Butters became the new face of the relaunched *Official Chart Show*.



Review of services: Radio

Award for lifetime achievement for his 36 years of ceaseless promotion of new music on BBC Radio 1.

Championing new music and showcasing the best contemporary live acts is at the heart of the BBC Radio 1 remit. *One Big Sunday* toured the country, attracting crowds of up to 100,000 to see a wide range of acts such as Destiny's Child and Super Furry Animals. Tens of thousands of dance fans also turned out for *Dance Parties* in Newquay and Sheffield. The BBC Radio 1 summer of live music culminated in October with *One Live*, a week-long Nottingham festival that showcased local bands alongside established stars. BBC Radio 1 also took a global perspective with shows from the Miami Winter Music Conference, Ayia Napa, Ibiza, Berlin, and even the Swiss Alps.

BBC Radio 1's contemporary soundtrack is augmented by *Newsbeat*, which engages younger listeners with news, current affairs and politics, and *The Sunday Surgery*, offering practical help with exams, careers, family, body issues, lifestyles and drug awareness.

Young people are heavy users of websites and BBC Radio 1 relaunched its own website and added the innovative 'listen again' service. With *One Life* and the new *One Music* education-based websites, the network provides comprehensive personal, learning and career resources as well as valuable online exposure for new artists that can and does lead to national broadcasts.

IXtra from the BBC

IXtra was launched to fill a gap in radio services for young fans of urban music. The digital station has brought new talent to air and features a mixture of speech-based programming which tackles issues relevant to its audience.

IXtra is already demonstrating its journalistic credentials. DJ Spooky and *TX* presenter Derren Lawford teamed up with BBC Radio Five Live reporters for *Who'll Show Racism the Red Card?* – an investigation into racism in football. The new station also led the journalistic field when families of the victims of the New Year's Eve Birmingham shootings spoke first to IXtra. *TX Unltd*, which fulfils IXtra's *Statements of Programme Policy* commitment to a daily hour-long discussion programme, participated in the BBC's Iraq day with a live round-the-table discussion featuring members of the IXtra audience panel.

During the day and into drivetime, the sound of IXtra is mainstream, but in the evening and at night it is more eclectic, highlighting a range of styles covering the urban music spectrum from the best of soca and reggae to hip hop and drum & bass.

A Monday night slot on BBC Radio 1 enables IXtra to showcase its offering to a wider analogue audience than the predominantly metropolitan listeners to the digital service. Eight months after launch, the IXtra website passed a million page impressions a week, becoming one of the most popular BBC online destinations.



Left: IXtra turned up the volume for the Trinidad Carnival.

Right: Edith Bowman and Colin Murray, popular new voices on BBC Radio 1.



Three cheers

BBC Radio 3 is the world's biggest commissioner of new classical music works.

BBC Radio 2

In a crowded radio marketplace, BBC Radio 2 has continued to increase its audience and remains the most listened to station in the UK, maintaining its appeal for its core audience whilst extending its reach among new younger audiences. The final quarter of the year saw significant schedule changes including the retirement of Jimmy Young, Jeremy Vine taking over the lunchtime slot and the death of *Your Hundred Best Tunes* presenter Alan Keith.

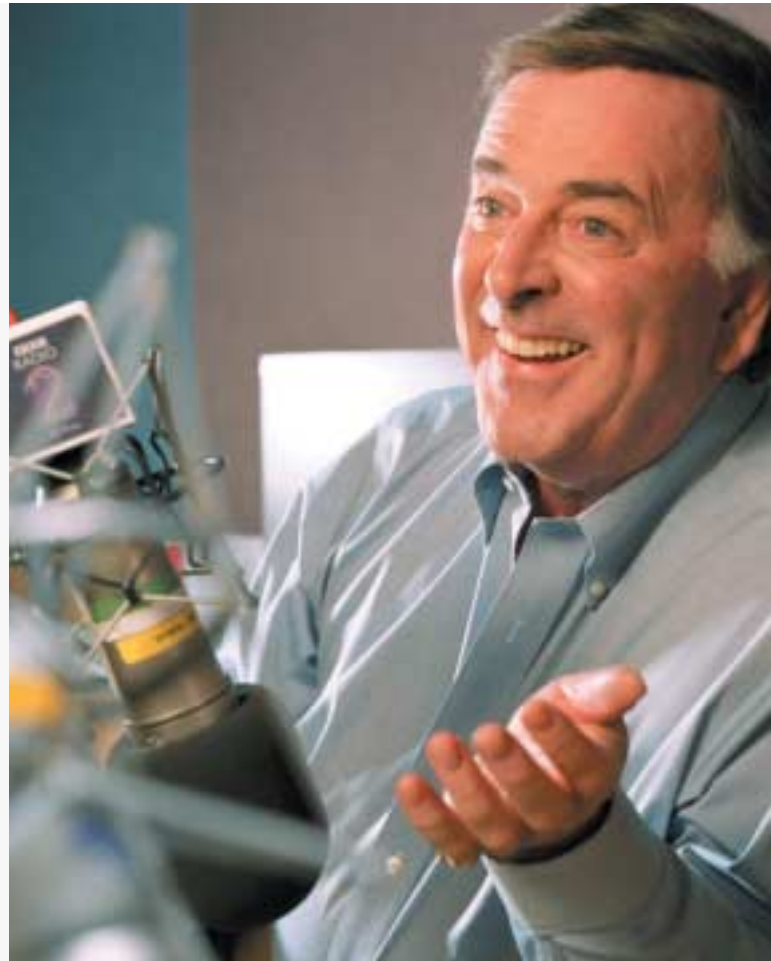
The BBC Radio 2 repertoire covers more than 40 years of popular music and culture and offers the widest selection of popular and specialist music on radio. The station's sound is shaped by such diverse presenters as Russell Davies and Jonathan Ross, Mica Paris, Ken Bruce, Michael Parkinson and Terry Wogan, who achieved a new record with a weekly reach of 7.9 million. The station continues to invest in specialist music shows, documentaries, readings, comedy and other speech output as well as popular mainstream programming.

Over the year, the range of music documentaries has included series exploring Jamaican music, the history of Asian music in Britain, the current state of music in the United States and punks at middle age. *Live and Exclusive* has brought performances from legendary stars such as David Bowie, Elvis Costello and James Taylor.

The BBC marked the Golden Jubilee with *Music Live* and over 500 hours of radio and television broadcasts. BBC Radio 2 was at the heart of these celebrations as well as celebrating a host of musical events across a wide range of musical genres seldom found on other radio stations.

BBC Radio 3

BBC Radio 3 has never been bolder in its scheduling or the ambition of its output, with programmes spanning a broad range from classical to world music, and from drama to arts



Above right: Terry Wogan's breakfast show on BBC Radio 2 gained 600,000 new listeners, taking it to a new record audience of nearly 8 million.

Right: Elvis Costello starred on BBC Radio 2's *Live and Exclusive*.

Left: The *BBC Proms* were relayed at public events across the UK.

Review of services: Radio



debate. Increased commissioning of new work, live output and specials, such as *Monsoon Night*, are just some of the components that made up the station's offering in the past year.

In its music output, BBC Radio 3 continued to offer its audience considerably more than traditional western classical music. Partnership with the London Jazz Festival, the Awards for World Music and broadcasts from UK festivals from Brighton to Orkney, contributed to a rich schedule of diverse musical styles. However, classical music remains at the heart of the schedule, and new partnerships with UK orchestras in Birmingham, Bournemouth and Manchester have ensured a greater range of classical music on the network.

BBC Radio 3 broadcasts live every concert from the *BBC Proms*. The past year saw the most successful *BBC Proms* ever, achieving over 2 million listeners. Major progress in making the *BBC Proms* more distinctive and accessible continued, and the *Last Night of the Proms* interactive television service reached 0.3 million unique users, making it the most successful BBCi service of its kind.

BBC Radio 3 continues to fulfil its role as a significant cultural patron. It is the world's largest commissioner of new classical works. It also provides the major outlet for the BBC's six performing groups, as well as supporting new artists, through initiatives such as the BBC Radio 3 New Generation Artists scheme. BBC Radio 3 is also an important commissioner of new writing through *The Wire*, while continuing to provide access to classical theatre, including Shakespeare, Middleton and Congreve.

BBC Radio 4

BBC Radio 4 ended this year with a record reach of 10.3 million listeners a week, approximately one in five of all UK adults. The network saw audience increases across its schedule with *The Archers* and *Woman's Hour* both reporting record weekly



Above left: Deidre Gribben, composer of the original music for BBC Radio 3 drama *Grace Notes*.

Left: Bembeya Jazz, finalists in the BBC Radio 3 Awards for World Music.

Below left: Members of the BBC Philharmonic taking part in the world's first Supermarket Symphony, a BBC partnership with North City Arts.



Right: Britannia ruled again at the *Last Night of the Proms*.



Four encore

BBC Radio 4, is the UK's biggest investor in radio drama.

reach figures of 4.9 million and 2.9 million respectively.

BBC Radio 4 journalism has focused on the major issues of the year through programmes from *Today* to *The World at One*, *PM* and *The World Tonight*. John Humphrys won the Sony Gold Award for his outstanding contribution on *Today*, which reaches 6.6 million adults each weekday morning, and which was described by the judges as a "beacon of contemporary journalism".

Investigative journalism continued to flourish. For example, *File on Four: Mothers of Dead Babies* was an investigation into cot death, which considered, amongst others, the Sally Clark case, and led to questions about miscarriages of justice. Discussion of moral and ethical dilemmas included Fergal Keane's revealing interviews in *Taking a Stand*.

BBC Radio 4 has provided unrivalled speech broadcasting through programmes such as *Start the Week*, with new presenter Andrew Marr; and *In Our Time* with Melvyn Bragg. Documentary programmes ranged from the Arab influence on European history to the dilemmas facing Californian entrepreneurs after the dot.com crash.

The station remains the UK's biggest investor in radio drama, commissioning over 350 new plays and short stories a year. Classic highlights included *Brideshead Revisited*, *On the Waterfront* and C P Snow's *Strangers and Brothers*. The network is known and loved for its vast award-winning comedy output including *Dead Ringers*, *Just a Minute* and new programmes such as the surreal sketch show *Little Britain*, which introduced us to such characters as a troubled transvestite and the not so famous actor, Olivier Lawrence.

For children, BBC Radio 4 has provided the weekly magazine programme *Go4It* and family drama including *His Dark Materials*, as well as an interactive website.



Above right: John Humphrys and Sarah Montague asking the tough political questions on *Today*.

Right: Revelations of Brian Aldridge's affair with Siobhan Hathaway in *The Archers* riveted 4.9 million listeners a week.



Above left: Philip Pullman's *His Dark Materials* starred Terence Stamp on BBC Radio 4.

Left: After 35 years delighting audiences, *Just a Minute* won a Sony award.



Review of services: Radio

Nicky Campbell and Victoria Derbyshire host the breakfast slot on BBC Radio Five Live.



BBC Radio Five Live

BBC Radio Five Live has had a memorable year, introducing a new schedule with refreshed breakfast and morning shows and new presenters. It ended the year with an audience reach of 6.4 million listeners each week. Its rolling news format came into its own featuring continuous live coverage of the conflict in Iraq with Peter Allen presenting coverage from Kuwait to Baghdad.

Nicky Campbell and Victoria Derbyshire's new *Breakfast* show increased its audience, as did Fi Glover's new morning show. With Matthew Bannister in the evenings and Julian Worricker on Sunday introducing a revamped *Five Live Report*, the station had a renewed vigour.

BBC Radio Five Live commentary offered listeners the very best sporting events including the Cricket World Cup, the Premier League, the FA Cup, Wimbledon, The Open, The Ryder Cup, Six Nations rugby, and Formula One. Sports coverage was reduced during the weeks of the conflict in Iraq to make way for breaking news, but BBC Five Live Sports Extra provided an outlet for commentaries. *Access All Areas* broke new ground, taking the listener behind the scenes of a football match to give a better understanding of the game. This format will be extended to other sports in the coming year. Jeff Randall's award-winning documentary *Football Finance: The Bankrupt Game* offered a rare insight into the parlous financial state of many clubs.

BBC Five Live Sports Extra

In its first full year of operation, the new digital service BBC Five Live Sports Extra has broadcast an impressive portfolio of high quality sporting events including Premier League and Nationwide League football commentaries. The station has covered international football, international cricket, rugby and Grand Prix qualifying rounds.

The station is a part-time network, seeking to provide sports fans with a choice of matches, and has consequently enabled the BBC to extract better value for licence payers from its portfolio of sporting rights.

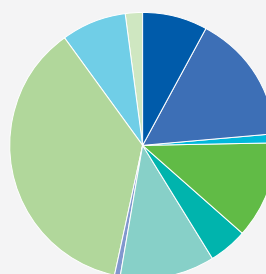
6 Music from the BBC

6 Music is a digital service concentrating on music and artists not well supported by other stations. Since its launch it has broadcast an array of live music, featuring over 150 acoustic appearances, 54 sessions from BBC studios at Maida Vale, and seven of the major music festivals. The archive of BBC sessions has also yielded some 2,500 exclusive BBC session tracks giving listeners a complete music experience, be it on air, online or at gigs.

6 Music has developed *The Main Event*, featuring archive sessions and documentary material re-edited to broaden the context of a new live event. This was successfully piloted in October 2002 for the Kirsty MacColl tribute concert. More collaboration is also planned with BBC Radio 2, which dedicated an evening to 6 Music last year. This form of collaboration increases awareness of what 6 Music has to offer and how listeners can receive it and the other new services from the BBC.

BBC 7

The launch of BBC 7 in December 2002 completed the BBC's digital radio portfolio. The station offers the best of BBC comedy, drama and readings from the archive. It has significantly extended BBC Radio's output for children. BBC 7 broadcasts two programmes a day, seven days a week for children – *The Big Toe Radio Show*, a live and interactive programme for nine to 11 year olds and *The Little Toe Radio Show* for younger children.



Total radio share (%) Q1 2003

BBC Radio 1	7.9%
BBC Radio 2	15.7%
BBC Radio 3	1.1%
BBC Radio 4	11.8%
BBC Radio Five Live	4.7%
BBC Local Radio (inc. Nations)	11.5%
BBC World Service	0.7%
Local commercial radio (260 stations)	36.6%
National commercial radio (3 stations)	7.9%
Other radio	2.1%

Total BBC Radio share Q1 2003 53.5% (Q1 2002 52.6%)
Source: RAJAR age 15+. Differences due to rounding

Left: Rock guitarist Lenny Kravitz creates some 6 Music.

New music

6 Music broadcast over 7,500 hours of music and added 310 concerts to the BBC archive in its first year.

Highlights from the BBC's drama and comedy radio archives have included Anthony Trollope's classic *Barchester Chronicles* alongside contemporary drama like *A Suitable Boy*. Comedy ranges from classics such as *Hancock's Half Hour* and *The Goon Show* to the more contemporary *The League of Gentlemen* and *Knowing Me, Knowing You*.

During its first week, BBC 7 online achieved 920,000 page impressions, the highest launch figure for any of the new services and it now achieves 1.6 million page impressions per month.

BBC 7 is committed to fulfilling the BBC's remit to driving usage of digital services and is regarded as one of the catalysts for the surge in DAB digital radio receiver sales since Christmas 2002.

BBC Asian Network

BBC Asian Network relaunched as a national digital network in October 2002, broadcasting approximately 50% music and 50% speech with a strong focus on news and current affairs. Uniquely, the service continues to address the needs of first generation Asians, with over 2,000 hours a year of locally-originated programmes in a range of South Asian languages.

Broadcasting primarily in English to British Asian communities across the UK, the station provides a central point from which audiences can get daily national and international news, sport and music.

The major festivals of the main Asian faiths were marked over the year with specially commissioned programmes, to complement the daily early morning devotional programmes broadcast throughout the year.

To reflect its new national audience better, the Midlands-based BBC Asian Network successfully introduced London output through the daily Sonia Deol programme, providing a forum for debating social issues affecting Asian communities.

Above right: Paula Radcliffe at the Commonwealth Games, covered on BBC Radio Five Live and BBC Five Live Sports Extra.

Right: Sonia Deol, morning show presenter for BBC Asian Network.

Left: Goon but not forgotten on BBC 7, the most influential comedy performers in the history of radio.



Review of services: Nations & Regions



Home services

The BBC's 6.30pm regional news is the most popular news programme on British television.

Nations & Regions is at the heart of the BBC's relationship with its audiences, connecting with communities in every part of the UK and celebrating the cultures and diversity of modern Britain. An extra £50million investment in local programmes over the past two years has helped win higher audiences and has led to a rise in approval in every part of the country. Fresh ideas and innovative use of technology enhanced all of our services. It was a year of real progress for Nations & Regions.

The 6.30pm BBC regional news remained the most popular news programme on British television. BBC regional television news programmes outperformed the commercial competition in all but three areas of the UK.

Local radio across England and the national radio services in Scotland, Wales and Northern Ireland reached their highest aggregate audience ever, with 11.1 million adult listeners.

The BBC is determined to get closer to audiences across the country. New local services have been created for listeners in North Yorkshire, Wiltshire and Berkshire and viewers in Oxfordshire, East Yorkshire and Lincolnshire now have a full regional news service. Seven new *Where I Live* websites brought the total to 42 sites in England with a further seven in Scotland, five in Wales and one in Northern Ireland. Total Nations & Regions online page impressions more than doubled from 25.1 million in March 2002 to 52.9 million in March 2003.

Audiences to the new politics and current affairs shows have also more than doubled after their move to BBC One in England. New television drama, entertainment and factual programmes in Scotland, Wales and Northern Ireland added to average network share in all three nations.

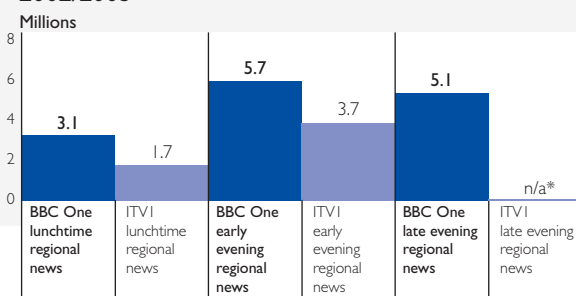
BBC networks reflected the UK ever more consistently with total television hours from the Nations rising by 15%. Highlights included returning series of *Monarch of the Glen*, *Two Thousand Acres of Sky* and *Film 2002/2003* from BBC Scotland, *Messiah 2*, *Patrick Kielty Almost Live* and *Sinners* from BBC Northern Ireland and *Hidden Gardens*, *Easy Money* and *Lesley Garrett: The Singer* from BBC Wales.

2002 was also the year that the Connecting Communities strategy began to deepen the BBC's relationship with its audience. BBC Open Centres at radio stations in Blackburn, Liverpool, Sheffield and Stoke enabled local people to learn about the media, acquire IT skills and become involved in community broadcasting. Partnerships with lifelong learning agencies provided more formal courses and longer-term learning. Ten BBC buses took these facilities on the road, carrying PCs and broadcasting equipment to more remote areas.

BBC Nations & Regions is committed to enabling audiences to tell their stories in their own words, with projects like *Digital Storytelling* in Wales and *Video Nation* in England. The newest initiative, *Voices*, is built on months of engagement with under-represented local communities. Powerful, heartfelt stories from these sources have been broadcast on all services.

Despite the strong share performance of news between 6pm and 7pm, the overall number of viewers has declined (except in Scotland). To address this an ambitious training scheme aims to energise storytelling, exploiting the emerging new technologies of handheld digital cameras and laptop editing. Two hundred staff are being trained every year in a new centre of excellence in Newcastle.

Average audience for regional news bulletins 2002/2003



Source: BARB, TNS/Infosys

*These figures are not available due to variable scheduling of this news programme



Facing page, clockwise from top: Jim Fitzpatrick presents the Northern Ireland opt-out for the *Politics Show*. The BBC bus in Sunderland where visitors can get online. Michelle Collins and Paul Kaye in the third series of *Two Thousand Acres of Sky*.

Left: Lesley Garrett: *The Singer* from BBC Wales.

Review of services: Nations & Regions



English Regions

The move of English Regions' current affairs programmes from BBC Two to BBC One more than doubled the audience to an average of 3.4 million viewers a week. The new programmes, with the generic title *Inside Out*, became the most popular current affairs programmes on BBC One. In January, with the creation of the new *Politics Show*, regional political coverage followed suit in moving to BBC One. Average audiences for local politics trebled as a result, from 406,000 last year to 1.5 million.

A number of landmark programmes celebrating significant regional events, achievements or history have been transmitted across the UK, most notably the archive-driven *North East on Film*, broadcast on the BBC Two network in March.

Local radio in England faces competitive challenges in the big cities, particularly Birmingham and London, where new strategies are being put in place. Weekly listening to BBC London 94.9, however, rose to a new record of 437,000 adults and to BBC WM to 373,000 – both significant gains over the previous year's figures.

Both performance and approval have improved in the North of England. In particular, the new regional news service *Look North*, based in Hull and serving East Yorkshire and Lincolnshire, quickly established itself as local viewers' number one choice.

Video Nation has now become an English Regions brand, with 18 schemes across the country producing videos for *Where I Live* sites and *Video Nation's* central online portal. *Football First* was developed to support local grassroots sport at youth level, involving both children and parents in North East England.



Top left: *Inside Out* presenter David Whiteley.

Left: Moses Brazil, a member of Kent's Romany Gypsy community in *Voices*.

Above: London 94.9 breakfast presenter, Danny Baker.

Right: BBC Garden Design event at The Forum in Norwich.



Voices

48 local projects gave a voice to communities across the UK.

Northern Ireland

BBC Radio Ulster's Sony Station of the Year award (for stations with audiences of over 1 million) crowned a year of high achievement, including a near-record audience share of 23.6% in the first quarter of 2003.

BBC Northern Ireland's biggest ever audience outreach programme included a new sub-opt in Enniskillen and summer outside broadcasts including *Proms in the Park*, attended by 7,000 people. With its successful news, factual and entertainment programmes, these initiatives helped BBC Northern Ireland achieve its best approval score.

Performance in current affairs and factual genres was exceptional; the share for current affairs flagship *Spotlight* was 32%, 7% above network share for the slot, and up 3 percentage points on last year. It won the RTS Best Regional Current Affairs award for its film on the exploitation of migrant workers in Northern Ireland. Local opt-outs added an average of 5% to network share, and BBC One further increased its overall share in Northern Ireland, though it remains 3.3% below the UK average. *South City Beat*, a series about the police force's transition from the RUC into the new Police Service for Northern Ireland (PSNI), achieved a healthy 36% share. The sitcom *Give My Head Peace* celebrated its 50th episode as Northern Ireland's favourite local programme.

The BBC's coverage of the All Ireland Gaelic Football Championship delivered a 35% audience share and Ireland's strong performance in the Six Nations Rugby Championship added 11% to network share in Northern Ireland.

A strategic review of language provision in Northern Ireland, completed during the year, will inform further development of indigenous language output.



Above right: Northern Ireland's Patrick Kielty returned with his series *Almost Live*.

Right: Thousands packed Belfast City Hall grounds for the *BBC Proms in the Park*.

Above: *Give My Head Peace*.



Review of services: Nations & Regions



Scotland

As the country's national broadcaster, BBC Scotland set out to strengthen its programme range and quality with new drama, comedy and entertainment, a successful bid for Scottish football rights, and extended news and current affairs coverage for the 2003 Parliamentary elections.

BBC One Scotland had a particularly strong year, increasing average share from 24.5% to 25.1% and outperforming ITV for the first time since current records began. Its place at the heart of the nation was demonstrated when it won a massive 63% audience share for coverage of the Hogmanay celebrations.

Six nominations for the 2003 Sony Awards demonstrated the quality of BBC Radio Scotland. News and sport remained the cornerstones of the station, playing a key role in increasing the overall reach and creating audience stability.

Sportscene, with 55 live football matches, including coverage of every round of Celtic's march to the final of the UEFA Cup, the Scottish Premier League, Scottish Cup, European and international games, attracted exceptional audiences from across the country and boosted approval for BBC One in Scotland.

Reporting Scotland reached a new high of 31.4% audience share, making it the country's most popular television news programme. *Holyrood Live*, *Politics Scotland*, *Newsnight Scotland* and BBC Radio Scotland combined to create comprehensive political coverage for the first elections since the Scottish Parliament was established.

Perhaps the boldest move has been the launch of a new Scottish soap, *River City*, a twice-weekly drama series featuring local writers and performing talent that generated intense interest at launch. Against tough competition, it has settled down with a loyal and stable audience share of around 22%.



Top left: Cast of the new Scottish soap *River City*.

Left: Celtic vs Rangers.



Above left: *Holyrood Live* presenter Iain MacWhirter.

Above: BBC Radio Scotland *Voices* project in Ayrshire.

Down our way

Radio services across the nations and regions reached a record 11 million listeners in the first quarter of 2003.

Wales

Television programmes for Welsh audiences enjoyed some notable successes, including *The Story of Welsh with Huw Edwards* and *Love on the Rock*, a docusoap set on Bardsey Island. The popularity of live televised sport on BBC Wales was demonstrated when the audience for the live Wales v Italy Euro 2004 qualifying match peaked at over 500,000 viewers – the highest BBC Two Wales audience for any programme for over six years. Snooker, golf, bowls and, in particular, rugby all improved on network audience share.

Wales Today performed strongly – nearly 17.4% above ITV's early evening news in Wales – and the award-winning current affairs series *Week In Week Out* continued its strong showing. BBC Wales provided ten hours of Welsh language programming per week for S4C, including *Pobol Y Cwm*.

Light entertainment programming was expanded on both BBC One Wales and the new digital channel BBC 2W. Particular successes were *Pub Quiz* and the new sitcom *High Hopes*. While Valleys-based drama *Belonging* continued to attract a loyal following, *The Bench* and *First Degree* were not recommissioned.

BBC Wales' English language station BBC Radio Wales achieved its highest audience to date for the first quarter of 2003 with a record 527,000 listeners a week. BBC Radio Cymru, Wales' only Welsh language service, extended its daily broadcasts by two hours, providing more live contributions from around Wales and new evening programmes for younger listeners.

A major *Digital Storytelling* project has resulted in the creation of 96 digital stories at monthly workshops around Wales. As part of its *Digi-nation* vision, BBC Wales has also opened two community studios serving North East and South West Wales.



Top right: Perplexed quizmaster (John Sparkes) in BBC Wales' comedy *Pub Quiz*.

Right: BBC National Orchestra of Wales.

Left: Huw Edwards told *The Story of Welsh*.

Below: *Week In, Week Out* presenter Louise Elliott.



Review of services: News



A trusted voice

93% of the UK population turned to BBC television, radio, text or online services in the first two weeks of the war in Iraq.

The continuing 'war on terror' erupted into one story that dominated the year: the coalition invasion of Iraq to unseat Saddam Hussein. In an increasingly divided, yet more interdependent world, BBC News remained the UK's most trusted source of information on the conflict.

It has been a year of extraordinary news events, at home and internationally, when the daily agenda more often encompassed violent crisis than peaceful celebration. Global terrorist attacks, the war in Iraq and continued conflict in the Middle East resulted in thousands of victims. At home the summer party spirit of the Queen's Golden Jubilee, the World Cup and the Commonwealth Games had a sombre counterpoint in the Queen Mother's funeral and the Cambridgeshire schoolgirl murders.

The year saw a strong performance from the BBC's main news bulletins on television and radio as a new strategy to further strengthen journalism and help audiences make sense of a complex world was implemented. BBC Radio 4's news programmes provided exceptional insight into difficult issues across the broad range of their output and contributed to the network's Sony Station of the Year award.

Making news and current affairs more relevant to younger audiences is a continuing priority and the new digital services have a key role to play across radio, television and online in reaching them.

New programmes and documentaries were launched on BBC Three with *60 Seconds*, one-minute headline bulletins on the hour; *The News Show* and entertainment-led *Liquid News* every weekday evening. *1Xtra* provides a targeted news and documentary service for a young urban audience while *Newsround* bulletins increased to seven a day on CBBC. BBC News online attracts a high percentage of younger users – more than 55% are under 35. Use increased

massively during the war in Iraq with a record 140 million page impressions in the first week before settling down to 3 million users a day – 50% more than usual.

Reporting the war in Iraq

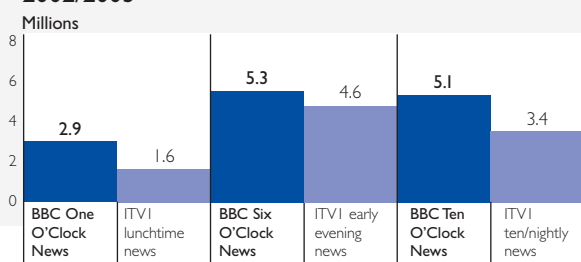
Wars have always been one of the greatest tests of independence and impartiality for a publicly funded broadcaster such as the BBC, which aims to provide global, national and local perspectives on key issues and to report all points of view accurately.

BBC News responded to the international crisis leading to the war in Iraq with immediate extra coverage. Throughout the war an average of five extra hours of news coverage was broadcast every day on BBC One and BBC Two. BBC News 24 was simulcast on BBC One and BBC Two and *Newsnight* broadcast special weekend editions every Saturday night. BBC Radio Five Live and BBC World Service became rolling news channels and BBC Radio 4 extended all its news programmes. Current affairs teams responded quickly, with David Dimbleby leading special programmes.

In an ICM poll BBC News was rated most highly for coverage of the war across all media. 93% of the UK population used the BBC to follow events in the first two weeks of the war. According to the same poll BBC One was the most watched and trusted channel and BBC News 24 was seen by 70% of the population – 40 million people – in the first week of the conflict. 72% of people who used radio to follow the war chose a BBC network service and calls to BBC Radio Five Live averaged 2,400 per day.

War reporting in Iraq was characterised by the latest digital technology combined with journalistic access. Although their perspective was by definition limited, correspondents 'embedded' with US and UK forces shared the immediacy and the danger of the unfolding conflict.

Average audience for network news bulletins 2002/2003



Source: BARB, TNS/Infosys



Facing left: International news cameramen and photographers cover the Iraq relief story.

Above: Rageh Omaar reports live on the bombardment and fall of Baghdad.

Right: Happy times as the Queen celebrates her Golden Jubilee.





The immediacy of live television and radio has brought new dilemmas however – how much risk is acceptable to get pictures and commentary? BBC cameraman Kaveh Golestan was killed by a land mine in northern Iraq. ITN's Terry Lloyd was killed. World Affairs Editor John Simpson was injured and a Kurdish translator working with him, Kamaran Abdurazaq Muhamed, was killed in northern Iraq. Despite the risks the BBC believes that its reporters and correspondents, now in 44 countries around the world, should be there to report what they see – not rely on other people's pictures and information.

Strengthening current affairs

The *BBC Statements of Programme Policy 2002/2003* included a commitment to strengthening current affairs in the peaktime evening schedule. Alongside existing programmes such as *Correspondent* and *Real Story* BBC One responded with event days on crime and Iraq. All domestic BBC News channels took part as well as national and local radio services, digital and interactive television, online, BBC World Service and CBBC, reaching more than 20 million people.

Newsnight's pioneering debates with Tony Blair answering questions from Jeremy Paxman and audiences which included swing voters and anti-war protestors was a format later copied by other broadcasters. *Newsnight* continued to innovate in its approach and featured Ms Dynamite, the UK's new black female star rapper, as a political commentator for a special debate on young people and gun crime.

In its 50th year, *Panorama* remained at the cutting edge of television current affairs, with headline-making scoops such as *The Corruption of Racing*, *The Secrets of Seroxat* and *A Licence to Murder*. Jane Corbin's worldwide investigations into characters and issues behind the international crisis over Iraq and Afghanistan provided valuable insight. Peter Taylor's dogged pursuit of truth in the secret world of *True*

Spies helped him to gain the RTS award for TV Journalist of the Year.

BBC News 24

BBC News 24's average 15-minute weekly reach in multichannel homes rose by 36% to 2.2 million in 2002/2003. Simulcasting on BBC One and BBC Two during the war in Iraq saw it reach 23 million people on one day alone.

Daily business journalism improved significantly, spearheaded by Business Editor Jeff Randall. *Business Today* on BBC News 24 has been refocused with a later start time (10.30pm) and a distinctive dual presentation from London and New York.

Over the year, BBC News 24 expanded its interactive news service, adding business and entertainment news and an occasional archive service, *On This Day*.

Five years after the launch of BBC News 24, the Government asked the former editor of the *Financial Times*, Richard Lambert, to undertake a review of the channel's public service purposes. His report confirmed the importance of the channel to the BBC's public service portfolio but noted that it needed to be more distinct from other 24-hour news channels. In response, the BBC Governors asked BBC News 24 to develop its rolling news remit with a more analytical agenda, drawing on regional and international correspondents to create a broader outlook. The channel is now pressing ahead with plans to reshape the service.

New approach to politics

The BBC's politics review in 2002 sought new ways to connect with young audiences who do not always engage with Westminster-dominated political debate but are often motivated by single issues. The *Politics Show*, presented by Jeremy Vine, replaced *On the Record* to offer Sunday lunchtime viewers a more rounded look at politics across



Above: Fiona Bruce in the BBC newsroom preparing for the 10 O'clock bulletin.

Right: *Newsround*, the BBC's specially-made news service for children.

Far right: *The News Show* reporting to BBC Three viewers.



On the scene

The BBC has correspondents and reporters in 44 countries around the world.

the UK. The new programme gained an average audience of 1.5 million and an 18% share – up by 0.3 million and two share points. *This Week* replaced *Despatch Box* and was moved from BBC Two to be scheduled immediately after *Question Time* on BBC One. It is attracting an average 2.1 million viewers per programme. *The Daily Politics*, the replacement for *Westminster Live*, is on air three times a week, scheduled in a morning slot to take account of Parliament's rescheduling of Prime Minister's Questions.

BBC Parliament

BBC Parliament has expanded and strengthened its European coverage with *Politique*, a new weekly programme on the workings of the EU, presented from Brussels and Strasbourg. The channel has been re-designed and re-branded to bring it into line with the rest of the BBC's digital portfolio, and a web presence has been developed to provide additional supporting material.

A new, clearer, schedule includes a daily repeat slot for *The Record*, the presenter-led review of Westminster, as well as a weekly hour-long edition. *Briefings*, the channel's weekly review of politics outside Parliament, runs in a new slot on Saturday evenings.

Over the year, BBC Parliament increased its broadcast hours by 30%. More time has been devoted to the nations, as well as to special event coverage – such as the broadcast of the entire original Coronation Day transmission during the Golden Jubilee celebrations – and increased recess programming has given extra time to Select Committee discussions on crime, health and education. Select committees are also highlighted in weekend evening schedules.



Above: David Dimbleby led the Iraq debate on BBC One.

Right: Evan Davis making sense of the Euro.



Above right: Green Goddesses returned during the firemen's strike.
Right: Prime Minister Tony Blair faced *Newsnight's* Jeremy Paxman in two gripping political debates.



Review of services: Learning



www.bbc.co.uk/bitesize

BITESIZE
revision

Hard hitting

17,000 people contacted the BBC for advice during the *Hitting Home* season.

Education is at the core of the BBC's public service remit; the BBC offers a breadth of subjects no other broadcaster can match. Interactive technology is enabling us to make learning an intrinsic part of our output on television, radio and online and to create popular and challenging programmes that stimulate deeper understanding and knowledge for audiences.

Our strategy is to deliver learning to the widest possible audience, through enriched interactive content to accompany many of our best television and radio programmes and services. History and science programmes, such as *Pyramid*, Robert Winston's *Human Instinct* and David Attenborough's *The Life of Mammals*, stimulated millions to learn more through their 'red buttons' for the interactive channel and through the web, where experiments, tests and hugely enhanced information provided enjoyable learning.

In addition, the BBC promotes learning through courses and exhibitions linked to programmes and involving dozens of cultural institutions from the British Museum to the National Gallery and the Natural History Museum where 50,000 visited the interactive *Life of Mammals* exhibition; this later toured the UK. The BBC also works with universities to mount short courses such as *The Life of Mammals* Open University course, already attracting interest from 2,000 people. The 30-year partnership between the BBC and the Open University has been expanded to provide more high-quality peaktime programmes on BBC One, BBC Two, BBC Three and BBC Four.

It is difficult to raise awareness of a social issue like domestic violence in a way which is popular with audiences but the *Hitting Home* season did just that. With bold programming across television and radio and supported by online advice, it won plaudits including a cross-party motion in Parliament.

Documentaries exploring human culture and experience, from *Walking with Cavemen* on BBC One to *Double Helix: The DNA Years* on BBC Four, were supported by online learning. *Motherland* offered insights into genetics, black history and personal identity. It enabled black Britons to track, through DNA testing, their African roots and made a powerful impression on audiences.

Formal learning remains a crucial part of the BBC's commitment. In January 2003, the Secretary of State for Culture, Media and Sport announced that the BBC proposal for a Digital Curriculum service to provide interactive learning materials to schools via the internet could go ahead. The demand from schoolchildren for online learning was again demonstrated by the success of the *Bitesize* revision service, which hit a peak of 17 million page impressions during the 2003 revision season.

Learning outside the classroom was offered to children through high-quality entertainment on BBC One and the digital channels CBBC and CBeebies, with supporting BBCi websites. *Sport Academy*, developed to encourage young people to take part in sport, got well over a million page impressions a week.

In Merseyside and Humberside innovative new ways of reaching audiences traditionally less well served by the BBC were developed, opening up BBC resources to local communities. Usage of BBC basic skills websites continued to grow, with *Skillswise* recognised as the UK's leading website for literacy and numeracy, and 1,000 people a week gaining a *Becoming WebWise* IT qualification. The arts initiative *Blast* attracted thousands of teenagers to regional workshops on music, art, dance and film making, and is returning for a second year.



Facing, left: Around 90% of GCSE and Standard Grade students used *Bitesize* this year.

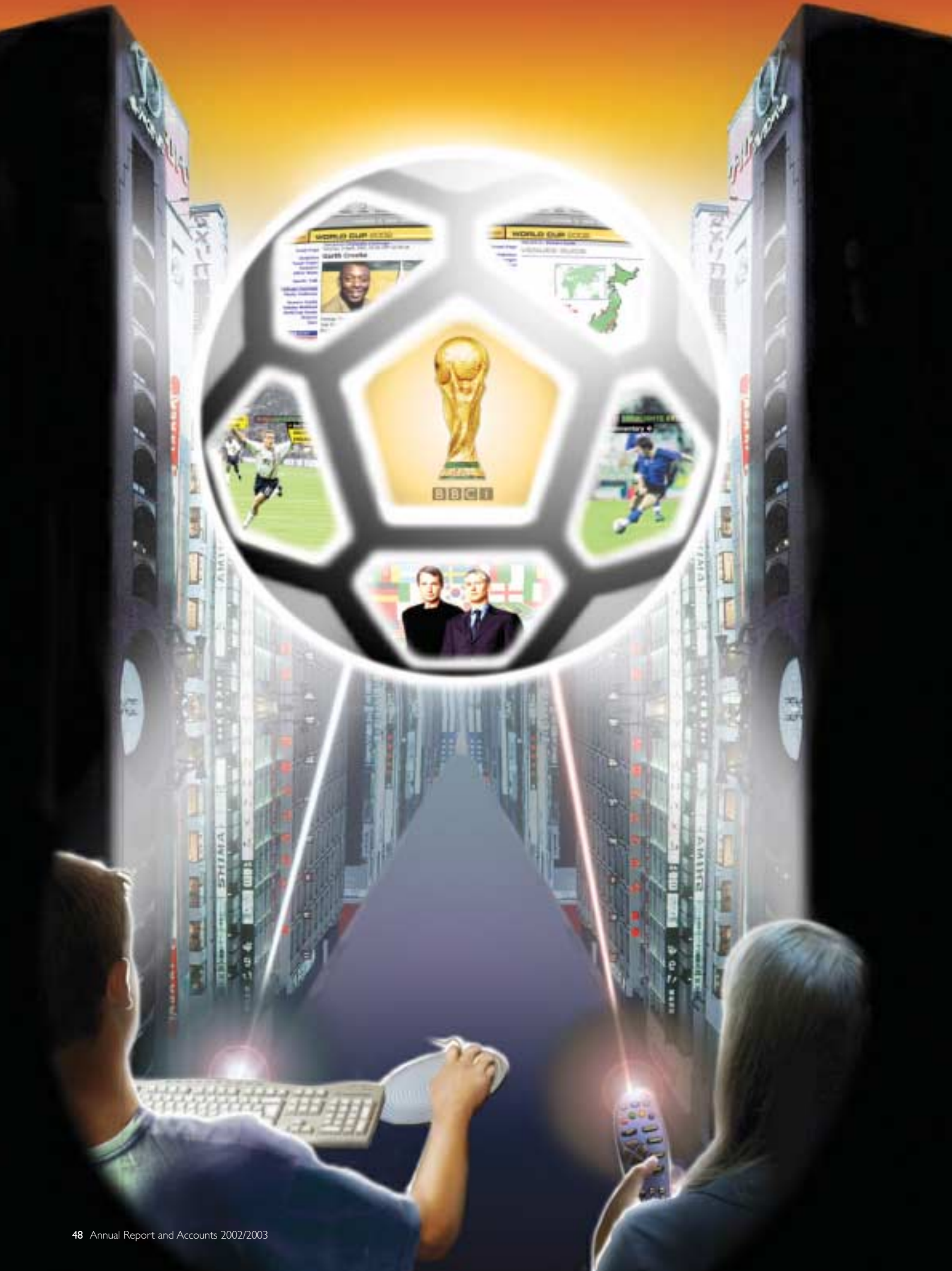
Left: David Attenborough stayed on top with *The Life of Mammals*.

Above: *Motherland* enabled black Britons to map their history.

Right: *Hitting Home* raised awareness of domestic violence on television, radio and online.



Review of services: New Media



Red watch

BBCi launched 37 interactive TV services in 2002 to give viewers greater choice.

BBCi encompasses the BBC's interactive services across the web, television and mobile devices. With 2 million web pages and 200,000 audio and video clips, BBCi provides a public service resource to enable people to explore topics that interest and entertain them and a forum for dialogue with each other and the BBC.

BBCi on the internet

BBCi's online service remained Europe's most widely visited content site. In 2003 BBCi's monthly reach rose from 34% to a peak of 43%, equivalent to 8.3 million adults (age 15 and over). BBCi gives people in the UK access to local, national and global information when it suits them and during the war in Iraq set new traffic records when demand took page impressions to 1.182 billion.

Education continues to be a priority. BBCi developed the learning home page to offer easier access to all learning opportunities from the BBC and supported extra educational resources for BBC Learning which were used by 2.9 million teachers, parents and pupils during the busy revision period in 2003.

BBCi works with partners ranging from the European Space Agency to the Arts Council to ensure users can pursue their interests in depth. BBCi Science and Nature continued to be premier destinations. The award-winning BBCi Religion and Ethics site developed its representation of the major faith communities in the UK further with interactive content on individual faiths, religious news, and debate around ethical issues.

The BBC Sport site offered coverage of UK and worldwide sporting events and of minority sporting interests. *Sport Academy* was launched in July 2002 with the aim of getting young people involved in sport, offering skills guides, video masterclasses, training routines and a range of information.

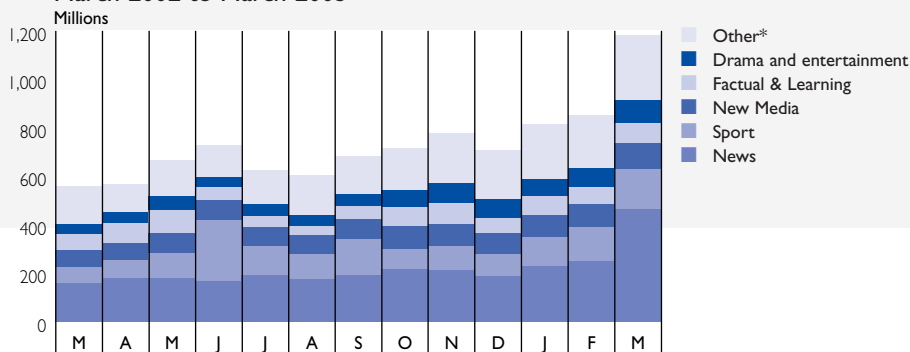
BBCi provided users with many opportunities for creative expression and dialogue, including the BBCi News *Talking Point* and *Have Your Say* services and message boards such as *The Great Debate* and the *Today* board. Over 50 *Where I Live* sites now connect communities across the UK and cover a broad spectrum of social, cultural and political discussions. With more than a million messages a month generated by email, text and chat room message boards, BBCi has become a national forum, giving a strong voice to its users and offering a safe and controlled presence on the web. BBCi aims to help shape the new media environment and establish a web-literate UK. A family-friendly search engine was launched in May 2002, providing a protected guide to web exploration.

BBCi is one of the UK's leading centres for digital innovation. New services include the BBC Radio Player, providing audio on demand for internet users to catch up on BBC radio programmes they missed.

BBCi on television

BBCi's interactive television services broke new ground in the past year when it became the first broadcaster to provide interactivity across all digital television platforms. Enhanced services gave 8 million viewers greater choice during the BBC's summer of sport and provided additional video, text and graphics for *The Life of Mammals*, the *Chelsea Flower Show* and *Fame Academy*. Interactive television services were also used to great effect for audience voting during *Great Britons* and *Cracking Crime*. *Test the Nation* showed the value of enabling a mass audience to contribute to a national television experience and *The Murder Game* saw viewers become interactive detectives to solve a fictional murder. BBCi's interactive television services will be a key area for development in the next year.

Monthly BBCi website page impressions March 2002 to March 2003



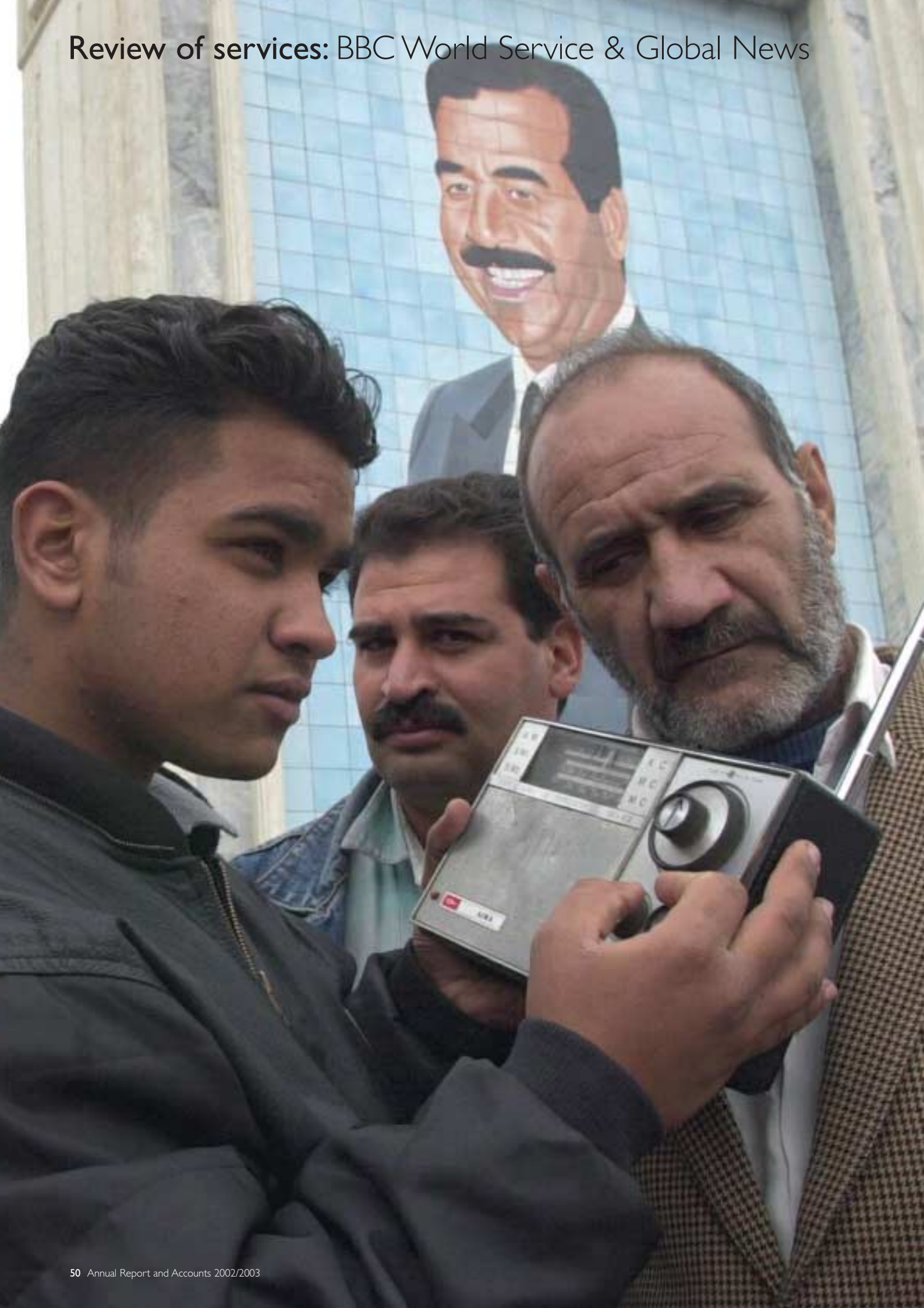
Source: BBCi server logs
Only divisions with over 75 million page impressions at March 2003 are shown
* Other includes Radio & Music, CBBC, BBC World Service, Nations & Regions, home page and other



Above: *Ghosts of Albion*, BBCi's fully-animated webcast.

Far left: Interactive services gave viewers more choice during the BBC's summer of sport.

Review of services: BBC World Service & Global News



Global links

BBC World Service's 70th birthday was celebrated with a 14-hour programme linking 50 broadcasts from around the world.

The BBC brought together its international news services – BBC World Service radio, BBC World television, and the BBC's international-facing online news services – into a single BBC World Service & Global News division in December 2002. Its aim is to be the best known and most respected voice in international news broadcasting – across radio, television and new media – thereby bringing credit to Britain and to the BBC.

The new division is developing a coordinated global news strategy to present a more coherent offer to audiences and achieve greater international impact for the BBC's news services, promoting their values of editorial independence and impartiality around the world. These values were maintained in challenging circumstances during the war in Iraq, when the BBC's international news services made an outstanding response during the diplomatic build-up and the military conflict.

Commercially funded television joined the publicly funded radio and new media services for the first time. The separate funding streams are respected within a robust fair trading framework and there is no cross-subsidy.

BBC World Service

BBC World Service built on its reputation for trust, independence and quality during its 70th anniversary year. As a multilingual reference point, it displayed a sure-footedness of tone and analysis while providing the greatest breadth and depth of any international broadcaster. Surveys of nine selected markets around the globe revealed that BBC World Service was the most trusted and objective international broadcaster compared to its main international competitors in each market.

As the war in Iraq began, the BBC World Service in English undertook its biggest ever news and programming operation,

with continuous news and analysis for over 220 hours. BBC Arabic played a pivotal role in providing independent information to the people of Iraq and the Arab world. It was presented live from Cairo each day at breakfast and produced 13 extra hours daily of news and current affairs output. Daily interactive *World Forums* on the English and Arabic services, in which a wide range of opinion was reflected, were a strong and distinctive feature of the output.

BBC World Service retained its global audience of at least 150 million weekly listeners in a world of rapidly increasing competition. This was achieved by expanding local partnerships and presence on FM. The BBC World Service is now available on FM in 138 capital cities. The first independent city-wide survey in Kabul since the fall of the Taliban showed that an unprecedented 82% of Afghans were listening to BBC broadcasts in Persian and Pashto every week. BBC World Service programmes in Nigeria and Kenya have a weekly reach of over 30%. Audiences listening on short wave continue to fall, however, particularly in the developing world and the drive for improved audibility on FM and MW continues.

In the light of changing listening habits, it was decided two years ago to discontinue direct short wave transmission to the USA and increase FM rebroadcasts on public radio. Since then, audiences to rebroadcasts have increased by 70% – up from 2.3 million in 2001 to 3.9 million. On average, 22% of opinion formers in Boston, New York and Washington listen to the BBC World Service each week. There was a further major surge in US listening as a result of the build-up to the conflict in Iraq when expanded BBC World Service coverage was taken by 353 US stations (compared to 265 in March 2002).

Some 70% of the UK population is now aware of BBC World Service, a year on year increase from 54%.



Facing, left: Tuning in to world news in Baghdad.

Above right: Nik Gowing reports from Doha for BBC World.

Right: Broadcasting live from Table Mountain, South Africa, for the BBC World Service 70th Anniversary celebrations.



Review of services: BBC World Service & Global News



New investment plans focus on content enrichment for radio services to the Arab world and Afghanistan; FM expansion in the major global conurbations, and building the multilingual internet presence with enhanced interactivity.

BBC World Service celebrated its 70th anniversary in December 2002 with a global concert – live from Dakar, Kabul, London, Mexico City and Mumbai – and a special 14-hour programme linking more than 50 outside broadcasts around the world. In a special 70th anniversary lecture, UN Secretary General Kofi Annan memorably described BBC World Service as a “lifeline to learning, enlightenment and to hope itself”.

BBC World

BBC World has made substantial progress in the past year towards fulfilling its aims of being the world's best and most authoritative international television news channel and showcasing the best of BBC journalism. During the conflict in Iraq, its tone, range of contributors and depth of analysis were distinctive.

There were signs of a real appetite for the BBC's balanced, objective and internationalist approach. Global distribution of BBC World grew by 25% in 2002/2003. It is now available in 255 million homes of which 103 million are on a 24-hour basis. Hotel distribution has increased by 17% year on year to 870,000 rooms. Take-up of BBC World's rolling coverage by terrestrial broadcasters after the war in Iraq broke out added 80 million households. In the USA, nearly a million viewers are now watching BBC World via PBS where the channel is now available in 86% of US television households. At the outbreak of war in Iraq, evening network news viewing in the US went up 28% overall with a 33% increase for the 6pm bulletin on WNET. Research from India, Australia and South Africa showed that audience levels doubled during the Iraq conflict.



Above left: UN Secretary General Kofi Annan presenting a special BBC World Service anniversary lecture from New York.

Left: Head of the BBC Hindi Service congratulates teenage Indian film makers who follow in the footsteps of BBC World Service as this year's One World Media Awards winners.



Above: *Click Online* can be seen on BBC World.

Expanding world

BBC World is now available in 255 million homes.

New media

The BBC's international new media service aims to be the most trusted news forum on the internet and to be a hub for debating key global issues across national and cultural boundaries.

The international English language version of the BBC news site – bbcnews.com – was successfully launched in July and built on the BBC's reputation for convenience, depth, analysis, expertise and innovation. It won the prestigious 2002 Webby for the best news website in the world.

International traffic shot up in the final two months of the year because of the war in Iraq and the number of users rose from 7 million to 13 million in March. Year on year, traffic for the combined international-facing news site in English and the language services increased by over 200% to 228 million page impressions. There were particularly large gains for online services in English, Arabic, Spanish and Persian.

BBC Monitoring

BBC Monitoring, based at Caversham, responded to the high demand for fast and accurate global media monitoring in the past year, particularly during the Iraq conflict. It provided key source material on crucial global events for stakeholders including the Foreign Office, the Cabinet Office, the Ministry of Defence and the BBC.

Customer satisfaction ratings for usefulness, range, selection and responsiveness remained at high levels.

BBC World Service & Global News website page impressions

	Millions
March 2003	227.7
March 2002	75.3

Source: BBCI server logs.



Top right: BBC Monitoring provides key source material on crucial global events.

Middle right: BBC correspondent Lyse Doucet.

Right: Tim Sebastian's *Hard Talk*.

Commercial activities: BBC Worldwide Limited



Despite an economic downturn in the global advertising, television and magazine markets affecting many of its customers, BBC Worldwide Limited achieved record sales from continuing operations*, record profit and a record cash flow contribution to the BBC. The company returned £123million to the BBC, an increase of 16% on last year's record contribution of £106million. Sales from continuing operations, including its share of joint ventures, rose to £640million with profit up to £44million.

BBC Worldwide exists to maximise the value of the BBC's content assets for the benefit of the licence payer, to reinvest its earnings into public service programming and to extend the enjoyment of BBC programming among UK audiences and around the world.

In performing its commercial role, BBC Worldwide conforms to rigorous fair trading requirements under the BBC's Royal Charter (see page 68). During the year, the company

successfully implemented an additional series of corporate governance and risk management measures.

More than 40,000 hours of television programming were sold in 2002/2003. According to British Television Distributors' Association figures for 2002, BBC Worldwide accounted for 54% of the total UK television export market, its highest share to date.

Some of the BBC's most creative programmes, such as *The Life of Mammals* and *The Blue Planet*, were also the top export titles, supported in their development by BBC Worldwide investment. This year's export success stories from independent production companies include *Spooks*, the BBC One series from Kudos, launched in the USA as *MI5*.

Coverage of the Golden Jubilee concerts was sold to more than 80 countries. 160,000 DVDs were also sold. BBC Worldwide subsidiary Audiocall handled the global ticket

BBC Worldwide cash flow to the BBC

	£ millions
2002/2003	123
2001/2002	106
2000/2001	96
1999/2000	82
1998/1999	81
1997/1998	75
1996/1997	53

Source: BBC Finance

* Continuing operations includes BBC Worldwide's share of joint ventures but excludes BBC World and beeb.com



Above: Known as *MI5* in the USA, the BBC's *Spooks* drama series has now also been sold to Russian television.

Right: *Radio Times* sold its 15 billionth copy during the year.

Global exports

BBC Worldwide is Europe's top exporter of television programmes.

ballot, with more than 3,000 phone lines in nine languages. Proceeds from all these activities went to charity (see Donations, page 81).

The success of *The Office* demonstrated BBC Worldwide's ability to support and market the most innovative of BBC programmes. The series sold to 25 territories; aired on BBC America to critical acclaim; became a best selling book of scripts, and sold more than 1 million videos and DVDs, becoming the UK's best selling video/DVD television title. During the year, BBC World transferred to a new division (see page 51).

With a reach of 550 million homes (including BBC World), BBC Worldwide is one of the world's biggest international television channel operators. BBC America has achieved remarkable success, reaching 35 million homes across the USA, and becoming the USA's second-fastest growing cable channel. The BBC, BBC Worldwide and Discovery Communications, Inc. agreed a landmark ten-year extension to their global co-production partnership. BBC Worldwide's joint venture with Flextech Television, UKTV, was once again profitable, despite the advertising recession and closure of ITV Digital. It maintained its commitment to new channels with the launch of UK Bright Ideas and UK History.

BBC Worldwide is the UK's biggest hardback non-fiction publisher both by value and by volume. BBC Books became market leaders in gardening and history titles as well as in food and drink, and television tie-in titles. David Attenborough's *The Life of Mammals*, and his autobiography *Life on Air*, were among the year's most successful titles, selling a total of more than 368,000 copies and winning WHSmith People's Choice Book Awards. BBC Audiobooks won a record 18 Spoken Word awards, including Publisher of the Year. Some of the best BBC radio talent was released on audio, such as BBC Radio 4's *Dead Ringers*.

BBC Magazines is the UK's third-largest magazine publishing business, reaching almost one in five of all UK adults. BBC Magazines increased circulation by 2.2% year on year in the second half of 2002 and improved profitability. *Radio Times* sold its 15 billionth copy during the year and a new layout helped readers to make sense of the multichannel environment. With the top six pre-school titles, BBC magazines are clear favourites with younger readers.

In a difficult year for children's properties, *Fimbles* emerged as a major success. Its universal theme of children's natural desire for discovery is proving popular with broadcasters around the world, and *Fimbles* has already sold in countries from France to Korea. The smallest Fimble was the UK's top selling soft toy at Christmas.

BBC Learning developed innovative partnerships with major educational institutions and publishers including the Open University. The Lifesign project, a partnership with four UK universities, is making BBC science programmes such as *The Human Body* available on broadband for all students in UK further and higher education.

BBC Worldwide was again awarded the Worldwide Fund for Nature's top rating (three-star) for its continued commitment to the environment, and was a National Gold Winner in the Green Apple Environmental Awards. In total, BBC Worldwide won a record 106 awards during the year, and a national poll voted the BBC Britain's greatest export.



Above: BBC America is the USA's second fastest growing cable channel.

Right: The *Fimbles* – a hit round the world from France to Korea.



Commercial activities: BBC Ventures Group Limited



The BBC Ventures Group of companies was launched in 2002 to realise the commercial value of the BBC's media services and facilities both within the BBC and externally in order to return cash and cost savings of £300million back to the BBC over a five-year period.

BBC Ventures Group faced difficult market conditions with many international media businesses' investment decisions affected by a volatile stock market. Despite those uncertainties, the Group had a strong sales year, producing an overall trading consolidated profit.

BBC Ventures Group comprises four commercial businesses: BBC Broadcast, BBC Resources, BBC Technology and BBC Vecta. Together the businesses have almost 3,600 staff, sales of £440million (of which £40million is from sources external to the BBC) and are leading providers of creative and technical broadcast services, production and facilities, both in the UK and internationally. The four businesses together are

involved in all areas of the modern media lifecycle from the converging media, broadcast, technology and telecoms industries to content origination, management and distribution.

BBC Ventures Group's strategic approach in the past year has been to drive efficiencies within the businesses, expand internationally, develop innovations and grow external revenues. The year saw an important turning point when, for the first time, all the Group's businesses exceeded financial targets and returned real value to the BBC. The Group turned a profit before interest and tax of £14.5million, having delivered price reductions back to the BBC of £23million.

BBC Resources

BBC Resources had a remarkable summer of sport and national celebration. It provided the BBC and other clients with extensive outside broadcast facilities for major events including the Golden Jubilee celebrations, the Commonwealth



Above: *Party at the Palace* was a huge operation for BBC Resources.

Far left: Wireless technology from BBC Vecta with new digital radio camera.

Left: Colledia, BBC Technology's media lifecycle management software, was launched.

Big picture

BBC Ventures Group's cutting-edge technology and resources made 2002's summer of sport and celebrations unforgettable.

Games and World Rally Championships. The company also developed initiatives to attract more independent production companies to take advantage of the BBC's facilities and studios. In addition, the post-production side of the business worked closely with production customers to find new and innovative ways of keeping pace with evolving technologies.

BBC Resources, with a staff of 1,400, has evolved into the largest production facilities business in Europe and supplies services in the outside broadcast, studios, post-production, design and costumes and wigs market. All areas of the business have exceeded profit expectations for the year.

BBC Technology

BBC Technology was created in 2001 to draw on the BBC's expertise in the design, build and operation of systems for creating, managing and distributing content across all broadcast, digital media and interactive platforms. Customers today range from BSkyB to the South African Broadcasting Corporation. The successful acquisition of IXL's digital media solutions business based in San Francisco and Atlanta accelerated the development of the business in North America.

During the year, BBC Technology played a pioneering role in managing the production of audio-visual content for the UK's first 3G service, delivered by 3; services include the processing and editing of football highlights so that fans can see their favourite goals on a mobile handset's small screen.

The financial year ended with a major deal with US company ESPN, a new contract with satellite broadcaster DirecTV and the launch of Colledia, an award-winning, innovative product portfolio for broadcasters that is set to transform news, sport and production environments.

BBC Broadcast

Launched in April 2002, BBC Broadcast offers the complete range of services required to launch, promote, play out and manage channels and services across television, the internet and mobile devices. It currently plays out 25 television channel streams and 12 interactive television streams for public service, commercial and international broadcasters and publishes bbc.co.uk.

During a busy year the company worked with the BBC to launch and promote its new digital television, interactive television and radio services; with UKTV to launch extensions to its existing channels and two new digital channels as well as delivering creative projects for Discovery Networks Europe, Emirates Media, HSBC, Central Office of Information and a number of leading advertising agencies.

BBC Broadcast received industry recognition from the RTS, British Interactive Multimedia Association (BIMA) and Promax for the effectiveness of its channel and programme identity and image campaigns.

BBC Vecta

Created from Kingswood Warren Ventures and renamed in 2003, BBC Vecta's task is to bring the very latest developments in media technology products to a wider marketplace and return revenues to the BBC. Working closely with the BBC's award-winning Research & Development team and other outside partners, its first new product innovation is the revolutionary Digital Wireless Camera which eliminates the need for the cabling required by outside broadcasts, resulting in greater flexibility and savings. BBC Vecta's wireless broadcast division, BBC WiScape, has an extensive network of partners across Europe committed to extending the reach of the new camera to broadcasters around the world.



Left: UK History channel was launched and promoted by BBC Broadcast.

Right: BBC Technology and BBC Broadcast provide instant replay for 3G phones.



Putting audiences first



Audiences are at the heart of everything the BBC does and, because they directly fund it, they expect the BBC to be more accountable than other broadcasters. The Governors aim to ensure that this expectation is met.

Governance reforms intended to improve the BBC's direct accountability to the public were announced in 2002. Last year's *Annual Report* included a commitment to greater public involvement based on BBC objectives and the *BBC Statements of Programme Policy*. The Governors stressed the unique value of face-to-face dialogue with licence payers to develop understanding of the BBC's public service role and how well it is being achieved. This year saw two key developments: the introduction of a more deliberative style of consultation with licence payers and a focus on issues relating to audience objectives.

Audience reactions to BBC news and current affairs programming

At workshop sessions between January and April 2003 in Wolverhampton, Belfast, Tunbridge Wells and Bristol, BBC Governors met audience groups of different ages and social profiles to hear their reaction to what the BBC offered across the portfolio of analogue and digital services (including online). These workshops explored how far news and current affairs programming from the BBC remained in line with its public service remit: whether it was meeting the needs of the UK's diverse audiences in terms of ethnicity, region and age and what could be done to make it more engaging to underserved or disengaged audiences.

There was a clear message that the main network television bulletins should provide straight reporting and analysis – human interest stories should be left to other broadcasters. People also felt that there was too much coverage of entertainment and celebrity stories; this was not what they expected from a public service broadcaster. Attitudes to BBC regional news were different, however; people welcomed local interest and enjoyed a more personal tone.

Overall, the BBC was still seen as both the first port of call for major news stories and the most trusted broadcaster. Some were concerned about perceived Government intervention – even if unjustified, the BBC should take this concern on board. It was acknowledged that the timing of the



Above left: Users were consulted on the BBC's online services at a Governors' seminar.

Left: Accountability workshop with BBC Governor Dame Pauline Neville-Jones.

Listening to audiences

Audiences debated issues with Governors at workshops on news and online services.

workshops, which coincided with the run up to and duration of the war in Iraq, coloured perceptions of the news agenda.

Participants wanted more context for big stories, with well-advertised current affairs programming to back up news bulletins. Audiences asked for reassurance that BBC current affairs programmes were not being marginalised in late-night or weekend slots or only to be found on BBC Two.

Participants questioned whether the timing of the main BBC news bulletins was ideal for today's lifestyle – was 6pm too early and 10pm too late? Should there be short news updates throughout the evening? Younger audiences in particular wanted news at times that suited them and the idea of waiting for big news programmes was felt to be old-fashioned. They stressed, too, that making news more engaging was not so much a matter of style as of relevance.

Consulting audiences on the BBC's online services

The Governors monitor the performance of new services in the context of the BBC's remit and strategy and the terms of Government consent for their launch. In 1998 consent was given for the BBC to offer online services based on the following objectives:

- to act as an essential resource offering wide-ranging unique content
- to strengthen accountability and forge a new relationship with licence payers
- to provide a home for licence payers on the internet and act as a trusted guide

At a Governors' seminar in March 2003, more than 70 users considered the range and mix of content on www.bbc.co.uk, the BBC's use of the internet for accountability, and the public purposes of BBC online services. In April, representatives of the Broadcasting Councils and English National Forum took up the debate.

What the users thought

Participants in the Governors' seminar stressed that being a trusted guide to the internet was a paramount role for the BBC as a public service broadcaster. At the same time, the BBC should be a pioneer in internet development in the same way as it has been on television and radio. All agreed that the BBC was a very good starting point for new internet users.

Views about content varied. Some thought the range was too wide and navigation difficult and that the site should focus on augmenting the BBC's television and radio output and avoid replicating information available elsewhere. The majority view, though, was that the BBC's range of content, style and trustworthiness contributed to the uniqueness of its online service.

Given the nature of the internet it was suggested that the BBC's purpose should be to offer distinctiveness, quality and accuracy online, alongside the core remit to inform, educate and entertain. Participants stressed the importance of the BBC website in home learning and its role in enabling people to follow up interests aroused by programmes.

Opinion was divided about whether there was a need for the BBC to have a www search engine when others were commercially available. While some participants questioned the value of resourcing this, others valued the provision of a child-friendly, UK-focused search engine. All agreed that the lack of advertising was a bonus.

The BBC's ability to offer comprehensive, tailored regional and local sites was singled out for praise, although some observed that it was time to add more depth and appeal to a wider demographic range. There was debate about whether the *Where I Live* sites should act as a conduit for information within communities or facilitate links to others.

The regulation of message boards was a widely shared concern, though well-moderated boards and discussion forums extended the audience's relationship beyond television and radio. Message boards were felt to be a particularly important public service for younger people, providing them with a forum for anonymous discussion of personal issues.

The role of BBC online services in developing accountability to licence payers continued to be important but many were unaware of the ways in which this was currently done. They felt these areas of the website should be more visible, accessible and understandable.

There was some concern over the funding of BBC online services, particularly as many licence payers did not have access to the internet. The majority of the participants agreed



Far left: *Where I Live* now has 55 sites across the UK.



Left: Come and visit the BBC – where to find Television Centre tours online.

Putting audiences first

that £5 was a suitable amount of the licence fee for the BBC to spend on online services. About half of them thought that it would be appropriate for the BBC to spend more than this in future.

What the BBC's advisers thought

Representatives of the advisory network saw sites such as BBC News, *Where I Live* and educational sites as the core of what the BBC should be offering.

Message boards raised significant issues. The group was divided over whether the BBC should be 'connecting communities' or 'connecting with communities' online. Some thought that it was the BBC's role to connect communities and provide a platform for sharing information. Others were unsure where such sites fitted into the public service remit and felt that there were better ways of putting people in touch with each other. Like the seminar participants, Council members were concerned about moderation. Overall, the group questioned whether message boards were a good use of resources.

The *About the BBC* site was considered relatively successful; it provided quite a lot of information about what the BBC did, how it was run and policy documents. It did not perform as well in taking account of licence payers' views, although there were opportunities for the public to submit comments. Overall, accountability should have a higher profile on the BBCi homepage, making it more obvious that there was a forum for users and encouraging both positive and negative feedback, with infrastructure in place to respond to comments.

What will happen next?

The Board of Governors will take account of the views from both consultations in considering a report from BBC management which will be published in the summer.

Listening to Asian audiences

Over the past year, the Governors reviewed the BBC's accountability to Asian audiences in the light of feedback from their consultation on cultural diversity in 2000 and the fact that, now that BBC Asian Network has become a UK-wide service, the regional remit and status of the Asian Network Advisory Council is no longer appropriate.

To ensure that they can monitor how far the BBC meets the needs of all Asian audiences and that a strong link between

the BBC and the Asian community is maintained while the new BBC Asian Network finds its feet, the Governors will in future look for a full range of information to be captured and routed to them by the Governance & Accountability department. They will expect, too, that resources will be made available to ensure that BBC Asian Network has access to audience consultation and feedback on programme strategy which match those of other radio networks. Systematic consideration of the interests of Asian audiences will also form part of the business cycle of the Broadcasting Councils, English National Forum and Regional and Local Advisory Network.

A new platform for interest groups

The Governors need advice on particular issues of concern to interest groups such as disabled people. Deliberative forums drawn from membership of the Advisory Councils offer a new way of considering issues arising out of specialist services and concerns such as race, culture, religion, gender, age, sexuality or disability. A disability group has been piloted and an Asian group will also meet during 2003.

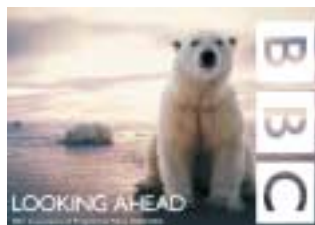
Improving openness and transparency

The BBC's first *Statements of Programme Policy* was published in July 2002 in tandem with the *BBC Annual Report*. Reform of the BBC's business cycle meant that the Statements for 2003/2004 followed less than a year later, in April 2003.

The Governors see the Statements as an opportunity to improve the BBC's accountability. Audience groups were asked how far their experience as viewers and listeners had matched up to the Statements for 2002/2003. Overall, there

Right: BBC *Statements of Programme Policy* published this spring.

Far right: BBC Radio 1 DJs Nihal and Bobby.



Speaking up

A network of 500 people around the UK advises the Governors on programmes and services.

was a satisfactory fit between expectations, Statements and audience experience. In terms of accountability, licence payers continued to be pleasantly surprised by the BBC's efforts to make the document accessible to them. They doubted, though, that there would be much general interest in information beyond programme plans and would have liked simple charts indicating exactly how the BBC planned to spend their licence fee.

This *Annual Report*, and particularly the objectives set by the BBC Governors for the year ahead, reflect their assessment of how far the BBC succeeded in delivering its public service remit in 2002/2003. Further points relevant to the Statements are incorporated in the report on BBC performance against objectives on pages 8 to 15; the Review of services on pages 20 to 53; the Compliance section on pages 68 to 81, and the Broadcasting facts and figures section on pages 122 to 131 of this report.

Reports from BBC advisory bodies

Broadcasting Councils and the English National Forum

The BBC is unique in drawing on a network of more than 500 people around the UK for advice on programmes and services. Broadcasting Councils for Scotland, Wales and Northern Ireland represent the interests of people in the nations. In England, Regional Advisory Councils advise the Governors through the English National Forum (ENF) and are informed in their turn by a network of Local Advisory Councils.

The Councils' most important task is to advise the Governors on programme and service objectives for BBC Nations & Regions and to monitor, through a process of regular review, the extent to which the BBC delivers them. Overall, they felt that significant progress had been made against the year's objectives. They were encouraged by audience response to programmes in their area and by the range and diversity of BBC outreach to different audiences.

The Broadcasting Council for Scotland welcomed in particular the introduction of *Politics Scotland* and looked forward to a major review of all BBC Scotland's news journalism in the year to come, noting that this would include comment from a wide range of individuals and groups. The ENF noted the higher audiences to regional current affairs and political programmes following their move from BBC Two to BBC One, although the scheduling of the *Politics Show* at

Sunday lunchtime was felt by some to be inconvenient. The ENF argued, too, that the South East and East Midlands regions should have their own dedicated political programme and that English regional television needed to expand into genres such as arts, culture and heritage to reflect the diversity of life across England.

Connecting with audiences was a key theme of the year. The Broadcasting Council for Northern Ireland particularly noted the contribution that newly appointed regional correspondents were making in this respect and highlighted the significance of the new studio facilities in Enniskillen. BBC Wales' ambitious programme of activities included further development of the digital storytelling project *Capture Wales/Cipolwg ar Gymru*. Local Voices projects, record attendance at community events and outside broadcasts and increased accountability all helped deepen the relationship with licence payers across the UK. Building on these strengths was a priority for the year ahead.

In general, the Broadcasting Councils were encouraged by the range and volume of commissions from Scotland, Wales and Northern Ireland for the BBC networks, which included some notable successes. Sustaining this was seen as a significant challenge.

Regional and Local Advisory Councils monitor how well the English regions are reflected on BBC network services. While welcoming new dramas set in the North of England, they continued to feel that more was needed – particularly in the case of the Midlands. The London Regional Advisory Council was anxious to ensure that *EastEnders* portrayed the full diversity of the capital.

The views of the Broadcasting Councils and the ENF are published in more detail in the Annual Reviews of BBC Scotland, Wales, Northern Ireland and the English Regions. These are available on the BBC's website at www.bbc.co.uk/annualreport.

The Governors' World Service Consultative Group

The World Service Consultative Group (WSCG) provided the Governors with an independent review of the range and quality of BBC World Service output in English, Arabic, Hausa, Somali, Portuguese, Spanish and Chinese. All attracted high scores for authority and accuracy.

Right: Voices – in Dallow.



Putting audiences first

BBC World Service output to Africa in English, Hausa and Somali had made an impressive impact. The WSCG stressed the strong educational dimension of BBC World Service output to Africa, which appeals across all socio-economic groups. It also noted that while the BBC Arabic Service was performing well in a challenging market, BBC World Service needed to continue to improve the range and appeal of its programmes.

BBC World Service achieved a significant impact in the highly competitive US media environment where co-productions with American public radio are crucial to attracting audiences. The WSCG asked BBC World Service to keep these co-productions under review to ensure programmes continued to demonstrate the BBC's strengths of accuracy, impartiality, relevance and depth and did not lose BBC style, tone and values. The WSCG agreed that high-profile local partnerships were essential to the delivery of the output but was concerned about low awareness of BBC output in Spanish and Portuguese in Latin America.

Restrictions imposed by the Chinese authorities on the distribution of BBC World Service limit its impact, both on radio and online. The WSCG urged BBC World Service to develop local partnerships based on the provision of education, business, science and language training programmes and to review the target audience for its Mandarin online site and the scope for broadening its agenda beyond news and current affairs.

The Central Religious Advisory Committee

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

The BBC's new strategy for religion and ethics was a key theme of the year. CRAC welcomed the higher profile of religious broadcasting and the investment in landmark

programmes and big events, but remained uneasy about the lack of live worship which reflected ordinary faith communities on television. The commitment in the *BBC Statements of Programme Policy 2002/2003* to a minimum of 112 hours of religious output across BBC One and BBC Two a year was also welcome, although CRAC asked for reassurance that the projected minimum of 80 hours on BBC One would not be dominated by *Songs of Praise* and *Heaven and Earth*.

Better representation of non-Christian faiths continued to be a priority. This was a live issue in view of the BBC's strategy to maximise the potential of religion to reach parts of the audience.

It is part of the BBC's public service remit to provide information to meet public need and the BBC Religion website was seen as an important resource for multi-faith education. Members felt that more could be done in the area of religious news and also found there was less information about programmes and many more quizzes than they expected.

Among many programmes reviewed, CRAC recorded particular praise for *Panorama – Suffer the Little Children*. Although not a religious programme, it was felt that this had been brave, if frightening, and in the best tradition of investigative journalism.

Responding to complaints

The Governors' Programme Complaints Committee (GPCC), is responsible for ensuring that complaints made by viewers and listeners are properly handled. The GPCC also hears appeals against decisions by the Programme Complaints Unit (PCU) or by directors of BBC divisions on serious complaints. The findings on appeals are reported in a quarterly bulletin. During the year, the Committee considered 39 appeals, of which two were upheld in full and three in part.



Far left: Moses, one of the landmark programmes at the heart of the BBC's new religion strategy.

Left: BBC World Service website.

All day, every day

The BBC's 24 hour a day call centres had 2.3 million audience contacts through telephone, email and letters.

The PCU deals with complaints which give reason to believe that something broadcast by the BBC's licence-funded services may have fallen seriously short of the standards set out in the *BBC Producers' Guidelines*. Its job is to investigate complaints impartially. When it upholds a complaint, BBC management is required to take appropriate action. In 2002/2003, the PCU dealt with 1,596 complaints (794 in 2001/2002) concerning 807 items, of which 137 were wholly or partly upheld – 8.5% of the total. Findings on upheld complaints are published in a quarterly bulletin, together with a note of the action taken in each case. 49.5% of complaints were answered within the target times (20 days or 35 days for more complex cases), compared with 65% in 2001/2002. This was due to the increased number of complaints following the introduction of an email complaint facility on BBCi in August 2002.

The PCU also liaises with the Broadcasting Standards Commission (BSC) on complaints about BBC programmes. In the year to 31 March 2003, the BSC notified the BBC of 36 fairness and privacy complaints and upheld eight in whole or in part. The BSC notified the BBC of 1,399 complaints about standards, and complaints were partly or wholly upheld about 50 broadcast items. The BBC complied with all directions given under the BSC's statutory powers.

Complaints about policy, schedule changes, technical standards or questions of personal preference are forwarded to appropriate areas of the BBC for attention. Overall, the total number of complaints received at BBC Information centres in Belfast, Glasgow and Bangor, by the PCU and by senior management in 2002/2003 was 118,142 (2001/2002 95,638). Complaints represented 8.4% of the total number of contacts received by BBC Information this year, compared with 9.6% last year.

A more rigorous system for holding management to account for proper handling of complaints has been introduced this year. The introduction of separate bulletins for the PCU and GPCC, a new remit for the GPCC, and an external Editorial Adviser have also emphasised the distinct role of the Governors as representatives of the public interest.

Governors took part in *Drawing the Line* workshops as part of an ongoing consultation with members of the public about what they find acceptable in the areas of taste and decency and what standards they expect from the BBC. The Broadcasting Councils and ENF are now taking these consultations out to more local audiences. In the light of recent complaints, the GPCC also held a seminar with programme makers, led by the Controller of Editorial Policy, on how the BBC views current trends in audience expectations. Recognising that standards are not homogenous and audience expectations vary for different channels and in different contexts, they emphasised the importance of openness to feedback and inviting comment from audiences.

Accessibility

BBC Information operates 24 hours a day, seven days a week, handling telephone and written comments and queries from audiences. Every comment is logged and reported daily across the BBC. Overall, contacts for the unsolicited service totalled 1,177,464 this year. The number of unsolicited calls rose compared with last year, totalling 796,490. There was also a slight increase in the volume of letters at 123,521. The number of emails increased by another 39% over last year, totalling 257,453. In addition the Audience Lines service handled a total of 1,171,958 contacts through live calls, automated calls and emails. Overall there were 2,349,422 contacts with the audience last year through the centres in Belfast, Glasgow and Bangor.

Right: At accountability workshops around the UK audiences debated issues with BBC Governors including Dermot Gleeson (far right).



The BBC in the community



Working together

The BBC is part of every community in the UK. It is often the centre point of people's search for information and aims to help them connect with their communities. It is also a significant part of the corporate community as an institution that people trust and value. A coordinated approach to its social investment, ethical practice, community support and environmental responsibility aims to enable the diverse parts of BBC corporate activity to add up to a meaningful whole and so enhance the BBC's reputation for corporate citizenship. To this end, a dedicated Corporate Social Responsibility Centre has been created and, in 2004, the BBC will publish its first full CSR report.

Enhancing BBC values

Trust is the foundation of BBC corporate social responsibility. The BBC aims for the highest standards of corporate behaviour. 122 companies and organisations voluntarily submitted reports to Business in the Community's first Corporate Responsibility Index. The media sector had the highest participation rate and the BBC's performance topped that group.

What the BBC is doing

Every day staff undertake work that demonstrates the BBC's public service commitment. The range is vast, but the examples below capture its spirit.

BBC Audience Lines take around 2 million calls a year from people seeking advice on social issues highlighted in programmes. Issues covered last year included abuse, bereavement, addiction and health.

BBCi Hull is part of a £25million investment which is driving the BBC's Connecting Communities vision and providing a new digital multimedia centre, a new regional television news service, a BBC bus and a BBC Open Centre. With learning partners and teachers, the BBC is also working to unlock the potential of new technology and new programme making techniques.

Altogether Now run by BBC Radio Leeds was the biggest social action project ever undertaken by a BBC Local Radio station. Two members of staff worked full time in one of the most deprived areas of Britain. They set up a radio studio in a local school and used it as a base from which to lead 25 community action projects for people of all ages, enabling



Above left: BBC Wales ran an ambitious audience outreach project.

Left: Pudsey Bear and Terry Wogan with Dolly Parton who donated a signed guitar for auction for BBC Children in Need.

Right: *Altogether Now* at BBC Radio Leeds.



Helping others

BBC Children in Need has raised over £300million in 23 years and £13.5million in just one night last November.

them to tell their stories and confront the common stereotyping of their area.

With a workforce of nearly 12,000 in West London, the BBC has been developing strong links with the local community. Nearby residents have been consulted on the naming of new buildings; an open day at BBC Television Centre attracted over 600 people, and the BBC also helps run a variety of employee volunteering projects with local organisations.

Employee volunteering is at the heart of the BBC community involvement programme and, as a member of the London Benchmarking Group, the BBC's community contribution last year was in keeping with other comparable companies. A recent example is the BBC's support for Kids Company – a charity which works with up to 4,000 teenagers a year and needed help with restructuring its business operations and resolving financial planning issues.

BBC broadcast charitable appeals

The BBC broadcasts charitable appeals to give audiences the opportunity to donate to a wide range of charities, as well as helping charities themselves to raise awareness of their work. Market research this year showed that over 90% of the public think that the BBC should carry major broadcast appeals such as *BBC Children in Need* and *Red Nose Day*, and that people trust the BBC to ensure that their money is spent well.

The BBC Governors oversee the allocation of appeals for individual charities on BBC Radio 4 and BBC One through the Appeals Advisory Committee (AAC), which also advises them on policy and helps them scrutinise major broadcast appeals. This year, the AAC revised the BBC's appeals policy, restating the purpose of broadcast appeals and explaining the BBC's role more clearly. It also helped frame the *Sport Relief* appeal, considering how the money should be distributed and working to ensure its fit with other BBC appeals and fundraising projects.

Last year, BBC network television and radio carried appeals for 64 individual UK charities. The weekly *BBC Radio 4 Appeal* raised over £900,000 for 51 charities (excluding *BBC Children in Need*). The monthly *Lifeline* appeal on BBC One raised over £210,000 for charities ranging from the Sickle Cell Society, which supports people affected by this illness in

the UK, to Riders for Health, which trains and helps African people in delivering health and welfare services to rural communities. BBC Local Radio in England, BBC Wales and BBC Northern Ireland also carried regular appeals for local charities, while BBC Scotland continued to reflect the work of Scottish charities across its programmes. Last year, BBC Local Radio stations raised more than £1million in cash, including £40,000 towards a multiple sclerosis centre in Lincolnshire and more than £200,000 for a children's hospice in Humberside. BBC Radio Cornwall staged the most successful local radio appeal ever – raising more than £600,000 to help pay for an oncology centre at Truro.

July's *Sport Relief* appeal raised over £10million for projects working overseas with disadvantaged communities and also in the UK where sport was an agent of social change in the lives of young people. In November 2002, *Blue Peter* launched its WaterWorks Appeal to help people in East Africa get access to safe clean water supplies close to their homes. Children's bring and buy sales have raised £1.3million to date – more than double the £500,000 target. Audiences donated £13.5million on the night to *BBC Children in Need* and, so far, donations total £25million for disadvantaged children across the UK. *Red Nose Day* in March 2003 raised £55.8million, and donations continue. The money will go to help some of the poorest and most disadvantaged communities in Africa and the UK.

The BBC and the environment

In 2002/2003 the BBC made real progress on reducing its negative impact on the environment through implementing



Left: Open day at Television Centre.

Right: Red-nosed Ruby Wax raises money for Comic Relief.



The BBC in the community

environmental projects. Action focused on five areas (see below). Better measurement and management systems helped monitor progress.

As the BBC moves into the future, its environmental management will need to adapt to changing circumstances. Rapid change in the BBC's business and the move towards more digital, interactive and internet services are fundamentally changing how information and programme content are delivered. This will impact on environmental performance. At the same time, the BBC increasingly relies on service partnerships to help manage and deliver environmental activities.

Waste

The BBC has taken up the challenge of reducing its waste and increasing the level of recycling. As around 70% comprises paper waste, the focus has been on implementing paper recycling schemes. Initial pilot schemes have been expanded across BBC offices around the UK and extended to include the recycling of batteries, toners and tapes. In areas where there is high use, newspapers, cardboard, aluminium cans and glass are also collected separately and recycled. 32% of the BBC's waste was recycled in 2002 (up from 17% in 2001) and the organisation is on track to achieve an ambitious target of 55% by 2005.

To promote the reuse of office equipment, Swapshop was launched in 2002. This is an online noticeboard which allows staff to transfer unused items such as furniture, electronic equipment and props to others who can use them. On air, BBC Radio Essex, Cambridgeshire and Northampton joined up with their local communities to promote a Slim Your Bin campaign, supporting awareness and providing information on waste recycling.

Energy and climate change

The BBC supports efforts to reduce climate change through carbon dioxide (CO₂) reduction. For each programme hour broadcast, the BBC's stated target is to reduce the level of greenhouse gases produced by 8% from 2002 to 2010 – in line with Government guidelines. In 2002, greenhouse gas levels (measured as CO₂) reduced to 0.43 tonnes per broadcast hour (down from 0.44 tonnes in 2001).

The BBC reduced its CO₂ emissions through the use of low-carbon technologies such as the combined heat and power

plant at Television Centre and buying green electricity. Over 2002, 7% of the BBC's electrical energy was from renewable sources such as windmills and hydroelectric power. In total around 22% of the BBC's total energy consumption has zero carbon emissions.

Total building energy use went up to 490 GWh in 2002 from 425 GWh in 2001. An energy programme is now in place to investigate how digital broadcasting will affect energy consumption.

Buildings

Major developments are under way in London, Birmingham and Glasgow with smaller developments in many other cities. New office buildings at White City, London are on target to achieve an Excellent BREEAM rating. The Mailbox building in Birmingham has solar shading and uses natural lighting. A process is in place to ensure that timber procured during construction is from sustainably-managed sources. BBC buildings include a large number of specialist technical areas which are not covered by environmental rating schemes such as BREEAM. An appropriate environmental building benchmark for broadcast buildings is being developed.

Transport

The apparent increase in the BBC's transport emissions to 1.48 tonnes per person from 1.23 tonnes per person in 2001 was due to better data capture. In fact, in 2002, significant improvements were made as 20% of the taxis used by the BBC moved to green fuels (LPG or hybrid fuels). A cab share scheme was also launched on the back of a computerised booking system which automatically identifies similar journeys occurring at the same time and offers cab sharing – saving on fares and fuel.

Supply chain

The BBC's purchasing activities have an impact on the environment through the choice of products bought and indirectly through the activities of suppliers. Progress has been made in working with suppliers. An environmental questionnaire now forms part of all tenders. 63% of the BBC's top 100 suppliers have an environmental policy and the BBC has ongoing dialogue with 80% of its top 20 suppliers regarding the environment.

The BBC publishes a full environment report at www.bbc.co.uk/info.

Right: Smart thinking – the BBC's electric car experiment.

Far right: New BBC buildings will conform to high environmental standards.



BBC people and talent

Just imagine

10,000 people participated in shaping the future of the BBC in the biggest staff consultation ever held.

Between May and November 2002 more than 10,000 BBC staff made their voices heard in *Just Imagine* workshops – the BBC's largest ever staff consultation – as part of *Making it Happen*, the cultural change programme to transform the BBC into the world's most creative organisation.

Out of that process emerged, for the first time, a core set of BBC values (see inside front cover) that place creativity and audiences at the heart of the BBC's purpose and inspire people to work collaboratively and enjoy their jobs.

The key to creativity is the development of staff and recruiting and retaining new talent. The BBC spends £53.3million a year on staff training (including £8million on trainees) – a commitment that benefits the entire UK broadcasting industry. It invested over £200,000 in providing reduced-price training for freelancers and most major broadcasters rely on the BBC for their craft training. The BBC is also a major funder of Skillset (the sector skills organisation for the audio video industries) and the National Film and Television School.

BBC Talent was launched three years ago in order to give people from all walks of life the chance to get their first break in broadcasting. Last year it promoted 16 schemes spanning presenting opportunities on CBBC, sports reporting on BBC Radio Five Live, weather presenting for BBC English Regions and a wide variety of production jobs. Newcomers get a chance to work on the established networks and new digital platforms. In 2002, new talent recruits worked on *Tomorrow's World*, *New Comedy Awards*, *Football Focus* and *Grandstand* on BBC One, new sitcoms and comedy pilots for the launch of BBC Three, and two new documentary series – *Making It* and *Serious Jungle* – on CBBC. BBC Talent aims to reach the widest possible audience through major marketing and communication campaigns and by staging auditions and events in 22 towns and cities across the UK.

All 39 BBC Local Radio stations in England also helped in the search for new urban musicians and vocalists who will get the chance to perform music of black origin on DJ Trevor Nelson's programme.

Two other talent schemes have helped bring fresh voices to BBC drama, entertainment and children's production. *The Writers' Room*, champion of talent and diversity, has helped over 5,000 writers, resulting in commissions across the radio and television networks. *Northern Exposure*, a scheme run in partnership with regional theatres to develop and produce new comedy and drama writing, worked with over 2,300 writers in two years.

In 2002/2003, the BBC also launched *Upfront*, its residential four-day induction programme for all new staff. Wherever they have come from and whatever job they do in the BBC, *Upfront* gives them a chance to make a television programme, interview for a radio programme and build their own web page, as well as helping them understand the breadth and complexity of the BBC. The aim is to get new staff on *Upfront* in their first or second week and the target is for 75% of all new starters with a three-month contract or longer to attend *Upfront* within their first four weeks at the BBC. Over 2,250 staff attended *Upfront* during the year.

Learn.Gateway, the personal learning portal for everyone in the BBC, was one of the most popular sites on Gateway, the BBC's intranet, with over 10,000 visitors per month of whom up to 4,000 were active users of the learning modules. Over 6,000 staff have completed personal development plans on Gateway and most of them have finished three or more modules from the plan.



Left: BBC Talent – a chance to break into broadcasting.

Below: All staff were encouraged to contribute their views at *Making it Happen* sessions.



Compliance

The Governors have clear responsibilities under the BBC's Charter to ensure that the BBC behaves responsibly and follows all applicable regulations and codes of practice.

They must satisfy themselves that the BBC:

- complies with all legal obligations
- has an appropriate management structure
- maintains sensible controls to protect its assets
- adheres to its own guidelines and codes of practice

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

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1 Fair trading

Governors' statement on fair trading

Commercial activities and fair trading

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

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

Fair trading compliance procedures

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

The Committee is advised directly by independent auditors commissioned and managed by the Governance & Accountability department and by the BBC's Head of Fair Trading and Head of Internal Audit, if necessary without the mediation of BBC management. All subsidiaries and

commercial operations report to the Committee on their activities and all staff with commercial responsibilities are required by the Committee to be trained in the BBC's fair trading policies.

The management of the BBC's fair trading arrangements is regularly tested by the British Standards Institute and these arrangements have been accredited with the ISO 9001:2000 quality standard. The last assessment conducted in November 2002 confirmed that the procedures are continuing to operate effectively.

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

In its response to the Richard Lambert review of BBC News 24 against its DCMS approval, the BBC offered to consider explicitly on fair trading grounds the relationship between BBC News and BBC World every year. This would include commissioning a triennial benchmarking exercise for independent consultants to confirm that marginal cost pricing remains market practice and annual verification by external auditors that the marginal cost principle is appropriately applied in dealings between BBC News and BBC World. Following a report from external auditors, the Governors are satisfied that the marginal cost principle has been applied appropriately.

Fair trading complaints

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

Events of the year

External challenges

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

- RM plc and others had issued a legal challenge to the BBC in the High Court. The claimants alleged the illegal use of state aid and that the BBC was acting *ultra vires* its Charter and Agreement with the Secretary of State. On 27 January 2003 the case was settled. The claimants and the BBC agreed that the claimants would withdraw the

judicial review proceedings on the basis that each side would pay their own costs.

- RM plc also wrote to the BBC Chairman alleging breach of the *BBC Commercial Policy Guidelines* resulting from discussions with a potential distribution partner in the context of the BBC's proposed Digital Curriculum service. An internal inquiry (see page 75) concluded that some preliminary discussions had taken place but that there was no systematic failure of the BBC's fair trading processes. Following the inquiry, two senior members of staff decided to leave the BBC. RM plc also raised questions about the BBC's compliance with the Public Procurement Regulations. The BBC has confirmed to RM plc that it is satisfied that it complied with these regulations.
- The BBC received a complaint from TAC (a trade association which represents the interests of independents producing mainly for broadcasters in Wales), challenging the terms under which BBC Wales had won an open commercial tender to supply Welsh rugby coverage to S4C. TAC suggested that the provision of commercial programming by BBC Wales to S4C is in itself a breach of the *BBC Commercial Policy Guidelines*. TAC also subsequently alleged that the BBC held and abused a dominant position in responding to the rugby tender. Following an investigation, the BBC confirmed it was satisfied that the supply of rugby programming by BBC Wales to S4C was not inconsistent with *BBC Commercial Policy Guidelines*. It also refuted any alleged market dominance while pointing out that a dominant firm would not in any event be precluded from competing fairly for business.
- The British Internet Publishers Association (BIPA) wrote to the BBC Chairman raising a concern about the openness of the approval process for new BBC services and in particular the process for the BBC's Online proposition (which gained initial approval in 1997). The letter also claimed that statements made by the BBC during legal proceedings brought by RM plc against the BBC's proposed Digital Curriculum service, cast doubt on the value of the BBC's Fair Trading Commitment. The BBC responded, explaining that the approvals process is now more open and there is full opportunity for interested parties to make representations to the BBC and to the Government on all new public service proposals from the BBC. In its response to BIPA, the BBC was not able to comment on the legal proceedings (which were ongoing at the time) but it made clear that it had a robust compliance infrastructure that has ISO accreditation and is subject to annual fair trading audits by independent accountants. The BBC remains fully committed to compliance with its fair trading obligations.
- Sequence, a Welsh web development and hosting agency, wrote to the BBC Chairman asserting that BBC MediaArc, a commercial associate of the BBC, had unfairly won a contract to supply internet streaming services to the Welsh Assembly. In particular, Sequence alleged that the winning tender may not be commensurate with what might be expected to be earned in the market in the long term. After intensive investigation of the tender offer accepted by the National Assembly of Wales, and the costs of supporting the service, the BBC concluded that the margins added to BBC MediaArc's estimated costs were sufficient to be consistent with market practice.
- ITN wrote to the Secretary of the BBC challenging a statement made in the *BBC Annual Report 2001/2002*. The statement alleged that the OFT had rejected ITN's allegation that a number of carriage agreements for BBCi (News) with third party portals were in breach of competition law. ITN disputed that the OFT had rejected its case. The BBC accepts that it was incorrect in stating that OFT had rejected ITN's complaint and makes the following correction:

The BBC Annual Report 2001/2002 stated that following an investigation by the OFT, under the Competition Act 1998, the OFT rejected ITN's complaint which alleged that a number of carriage agreements for BBCi (News) with third party portals were in breach of competition law. Since publication of the report it has transpired that in fact ITN chose to withdraw its complaint following correspondence with the OFT.

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

Governors' opinion

The Governors consider that the policies contained in the BBC's Fair Trading Commitment are consistent with the requirements of the Royal Charter and the accompanying Agreement. Through the FTCC, they have gained reasonable assurance that the system of controls and procedures designed to ensure that these policies are applied throughout the BBC has been operating effectively throughout the year:

Independent Fair Trading Auditors' report to the Governors of the BBC for the year ended 31 March 2003

We have audited, in our role as the BBC's Fair Trading Auditors, the system of internal controls established within the BBC to provide the Governors with reasonable assurance that the BBC has complied with its published Fair Trading Commitment for the year ended 31 March 2003.

Our instructions for this audit, which included the scope of work to be undertaken, were agreed with the Governors'

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

Respective responsibilities of Governors, management and auditors

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

The BBC's management is charged by the Governors with operating a system of internal controls designed to ensure compliance with the Fair Trading Commitment, including identifying and assessing risks that could threaten fair trading and designing and implementing responses to such risks.

As the BBC's Fair Trading Auditor, it is our responsibility to form an independent view, based on our audit work, as to the extent to which the BBC has established, and applied, a system of internal controls which provide reasonable assurance that it has complied with its Fair Trading Commitment during the year. We have reviewed specific decisions reached by the BBC on fair trading issues only in so far as this is necessary to form an opinion on the system of internal controls. Our audit was not designed to express an opinion on the quality of the specific decisions taken by the BBC with regards to fair trading. We have also reviewed whether the Governors' statement on fair trading reflects our findings of the BBC's compliance with its system of internal controls, and we report if it does not.

This opinion has been prepared for and only for the BBC in accordance with our instructions which were agreed with the Secretary of the BBC on behalf of the Governors' Fair Trading Compliance Committee. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of audit opinion

We have carried out a programme of procedures and tests designed to provide us with the assurance that we were seeking. Our work consisted of enquiry and assessment to enable us to form a view as to whether an appropriate system

of internal controls was in place. We also reviewed the processing of a sample of material transactions to provide us with reasonable assurance that the system of internal controls had been applied.

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

Opinion

In our opinion the BBC has established and has applied a system of internal controls which provide reasonable assurance that it has complied with its Fair Trading Commitment for the year ended 31 March 2003.

PricewaterhouseCoopers LLP
Chartered Accountants

London
19 June 2003

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 of the BBC (the Supplier Divisions). BBC World Service also receives services from and supplies services to the BBC's commercial subsidiaries (the Subsidiaries).

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 other parts of the BBC, 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 LLP (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 and Subsidiaries. KPMG LLP have reported to the Governors that, in their opinion, the information contained in the summary of transactions for the year ended 31 March 2003 has been accurately extracted from the books and records of BBC World Service and the Supplier Divisions and Subsidiaries 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 Subsidiaries and, on this basis, there has been no material cross-subsidy between Grant-in-Aid and licence fee funds or between Grant-in-Aid and the BBC's commercial subsidiaries.

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 or between Grant-in-Aid and the BBC's commercial subsidiaries

2 Financial statements

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

The Governors and Executive Committee are required by the BBC's Charter to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the BBC and of its income and expenditure for that period. In preparing those financial statements, the Governors and Executive Committee are required to:

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

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

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

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

We have audited the financial statements on pages 85 to 121. In addition to our audit of the financial statements, the Governors have engaged us to audit the information in the Governors' remuneration report that is described as having been audited, which the Governors have prepared as if the BBC were a listed company and which is thus compliant with Schedule 7A to the Companies Act 1985.

This report is made solely to the BBC's Governors, as a body, in accordance with the Royal Charter for the continuance of the BBC which came into force on 1 May 1996 (the Charter). Our audit work has been undertaken so that we might state to the BBC's Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the BBC and the BBC's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governors and Executive Committee and Auditors

The Governors and Executive Committee are responsible for preparing the *BBC Annual Report* and the Governors' remuneration report. As described earlier on this page, this includes responsibility for preparing 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 and the Charter.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Governors' remuneration report to be audited have been properly prepared in accordance with the Companies Act as if that Act had applied to these financial statements. We also report to you if, in our opinion, the financial information on page 6 is not consistent with the financial statements, if the BBC has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the Governors' and Executive Committee remuneration and transactions with the BBC is not disclosed.

In addition to our audit of the financial statements, the Governors have engaged us to review their corporate

governance statement as if the BBC were required to comply with the Listing Rules of the Financial Services Authority in relation to these matters. We review whether the statement on pages 72 to 75 reflects the BBC's compliance with the seven provisions of the *Combined Code* specified for audit review by those rules and we report if it does not. We are not required to form an opinion on the effectiveness of the BBC's corporate governance procedures or its internal controls.

We read the other information contained in the *BBC Annual Report*, including the corporate governance statement, and the unaudited part of the Governors' remuneration report 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.

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 and the part of the Governors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Governors and Executive Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the BBC's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Governors' remuneration report to be audited 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 and the part of the Governors' remuneration report to be audited.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of UK Public Service Broadcasting (the 'Home Services' in the Charter) and the BBC as at 31 March 2003 and of the deficit of the BBC for the year then ended and the financial statements and the part of the Governors' remuneration report to be audited have been properly prepared in accordance with the provisions of the BBC's Charter and the Companies Act 1985 as if that Act had applied to these financial statements.

KPMG LLP

Chartered Accountants
Registered Auditor

London
19 June 2003

3 Risk and control processes

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

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

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

How the BBC has applied the remuneration principles is covered separately within the remuneration report on pages 76 to 79.

Board structure

The Governors are the members of the Corporation. They act as trustees for the public interest while the Executive Committee takes responsibility for day-to-day operations. Details of the Board of Governors and Executive Committee are summarised on pages 4 to 5 and 18 to 19. A register of interests for both the Governors and Executive Committee is maintained and may be inspected by written application to the Secretary of the BBC.

The Board of Governors refers some matters to sub-committees. The main responsibilities of these sub-committees are explained elsewhere in this *Annual Report* as follows:

Governors' Programme Complaints Committee (page 62)
Governors' Fair Trading Compliance Committee (page 68)
Governors' Audit Committee (page 74)
Governors' Remuneration Committee (page 76)

The Governors are supported by the Governance & Accountability department.

Governance arrangements for commercial subsidiaries

In July 2002 the Secretary of State approved the establishment of a new subsidiary, BBC Commercial Holdings Limited, to coordinate and manage the activity and

financing needs of the principal commercial subsidiaries. The BBC's public service aims are enshrined in the company's Memorandum of Association and many of its powers, including the power to appoint directors, are exercisable subject to prior approval of the Board of Governors. The new company replaces the old Commercial Board which was a sub-committee of the Executive Committee.

Relationship with Parliament and licence holders

The BBC lays its *Annual Report and Accounts* before Parliament. Governors or BBC Executives may be, and frequently are, called before Parliamentary Select Committees to answer MPs' questions about the BBC's activities and plans.

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

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

The BBC seeks to keep the public fully informed about its services and the way in which it operates, and to be open and candid about both successes and failures. The BBC will withhold information only where there is a genuine matter of copyright, contractual or commercial confidentiality at stake or where legitimate considerations of privacy apply. Information is made available, and audience views obtained, in a variety of ways, many of which are discussed elsewhere in this *Annual Report*. These include the *BBC Statements of Programme Policy*, internet services, public events and many publications.

Accountability and internal control

Financial reporting and going concern

The respective responsibilities of the Governors and Executive Committee and the external auditors are set out on page 71.

A review of the financial position of the BBC is included on pages 82 to 84. This, together with the Director-General's review on pages 16 and 17, provides an assessment of the BBC's performance and current position.

The going concern basis has been adopted in the preparation of the financial statements as the Governors and Executive Committee believe that the BBC has adequate resources to continue its operations for the foreseeable future.

Internal control

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

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

The Governors and Executive Committee consider that there is an ongoing process for identifying, evaluating and managing significant risks faced by the BBC. The process has been in place for the year ended 31 March 2003 and up to the date of approval of this *BBC Annual Report and Accounts*. It has been reviewed by the Governors and Executive Committee and accords with the guidance set out in the ICAEW's guidance for directors, *Internal control: Guidance for directors on the Combined Code*.

While an established system of risk management and control, including procedures to monitor and evaluate key risks, has been in existence throughout the year, the Governors and Executive Committee recognise the importance of ensuring that the process remains appropriate in respect of recent internal reorganisations and the expansion in the BBC's services.

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

- risk management

Each of the BBC's top risks has a named owner on the Executive Committee who is responsible for ensuring that progress on the management of their given risk is reported to all of the Executive Committee on a regular basis. The BBC's top risks and associated action plans have been reviewed during the year. The director of each division had a clear responsibility during the year for the identification and management of risks facing their business. Divisional management has progressed the review of risks associated with the achievement of their divisional objectives. Consideration of these risks includes a review in each division of the impact of the BBC's top risks and reporting on the management of those risks via reports to the Executive Committee. The risks identified, and the actions planned in response, are maintained in a risk register in each division which is verified by BBC Internal Audit.

- monitoring of controls

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

Compliance

- divisional controls

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

- computer systems

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

- controls over outsourced transaction processing

The majority of the BBC's finance transaction processing (excluding BBC Worldwide and BBC World) is outsourced to a service company, Media Accounting Services Limited (medas) which is independent of the BBC. The Director of Finance, Property & Business Affairs has established monitoring procedures to review the performance of medas on a regular basis. These include regular review by BBC Internal Audit in a programme of work informed by a continuing assessment of key risks and issues.

- licence fee collection

The outsourcing contract for the collection of the licence fee was awarded to Capita from July 2002. The BBC monitors and reviews the provisions put in place by Capita to ensure the collection of the fee in the event of business interruption as well as other controls and reporting procedures. Safeguards are in place to protect the BBC's collection data and alternative collection processes have been identified that may be adopted in the event of a failure of the core collection process.

- whistle-blowing

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

- financial reporting and business performance

The BBC has a comprehensive system for reporting financial results and business performance. During the year each division prepares monthly reports and accounts. These results are reviewed locally and the consolidated results of the BBC are reviewed at Executive Committee and Board of Governors' meetings each month.

Each financial year the divisions update their five-year plans and prepare detailed budgets for the following financial year. The annual budget of each division is reviewed by the Director of Finance, Property & Business Affairs. The overall budget is approved by the Director-General, the Executive Committee and the Board of Governors.

The performance of each division is subject to continuous monitoring and at the end of the year every division is subject to a rigorous performance review verifying how effectively they had met their objectives.

Governors' Audit Committee

The Audit Committee meets at least four times each year, and is charged with:

- reviewing the effectiveness of internal control
- approving and monitoring the BBC Internal Audit work plan
- considering issues arising from external and internal audit work
- reviewing management's response to internal control issues
- approving the external audit fee
- discussing with the external auditors their strategy and plans
- reviewing the independence of the auditors, specifically considering and approving any non-audit services
- reviewing the performance and effectiveness of the external auditors
- reviewing the external auditors' reports
- reviewing and approving the financial statements

In reviewing the financial statements of the BBC the Committee considers any significant issues, and the appropriateness of accounting policies adopted in relation to significant or unusual transactions where more than one policy may apply.

The Committee is comprised exclusively of Governors of the BBC. Members of the executive management attend meetings by request of the Committee.

The Committee has considered the recommendations contained in the report of the Financial Reporting Council (issued January 2003), the Smith Report, and have implemented the necessary measures to ensure that the BBC fully meets those recommendations.

Independence of external auditors

Both the Committee and the external auditors themselves have safeguards in place to avoid the possibility of the auditors' objectivity and independence being compromised.

The Audit Committee regularly reviews the independence of its external auditors, currently KPMG LLP. The Committee

holds discussions with the external auditors without management being present. The Committee reviews the level of non-audit fees paid to KPMG LLP. Any significant consulting work is put out to competitive tender. Recruitment from KPMG LLP into any senior management position requires the prior approval of the Audit Committee.

The BBC's policies in relation to services procured from the external auditors are:

- all non-audit services proposed to be commissioned from the external auditors must be notified to the Audit Committee
- above an established *de minimis* level the planned work must be submitted to competitive tender and, in the event that the external auditors are to be awarded the contract, the prior approval of the Audit Committee must be obtained
- the external auditors are specifically excluded from being considered for certain types of work where the effect could be to prejudice their ability to express an independent and objective opinion

Events of the year

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

Oryx

During the year the BBC settled a legal challenge with Oryx Natural Resources, paying damages and costs to Oryx. The claim for libel arose from a report contained in a special news bulletin on 31 October 2001. The BBC issued an apology for the incorrect report in November 2001. The BBC investigated the circumstances giving rise to the incorrect report and has taken appropriate measures to seek to prevent a recurrence.

Digital Curriculum

During the year the BBC identified that some inappropriate activities had taken place relating to the proposed Digital Curriculum service. The Digital Curriculum was at the time awaiting approval by the Secretary of State for Culture, Media and Sport. The BBC discovered that the activity that had taken place was contrary to disclosures in certain statements submitted to the court in preparation for the BBC's defence of a legal action brought by RM plc. An internal inquiry was conducted by the BBC's Head of Internal Audit on behalf of the Chairman of the BBC to establish why the activities had taken place. Following the inquiry two senior members of BBC staff decided to leave. RM plc subsequently withdrew its legal challenge with each party meeting their own legal costs.

Statement of compliance with the Combined Code of Best Practice

The BBC has complied throughout the year ended 31 March 2003 with the specific provisions in Section I of the *Combined Code* with the exception of those provisions relating to non-executive directors and shareholder requirements which, as discussed earlier, are not applicable to the BBC.

4 Other corporate responsibilities

Ethical policy

The BBC seeks to meet the highest standards of ethical, employment and environmental practice. The BBC has a code of conduct which requires its suppliers to operate on the same principles. This requires all direct suppliers, who in turn are required to supervise their sub-contractors, to observe best practice in the following areas: general employment practices, the employment of appropriate workers, worker insurance, working environment, respect for the individual worker, environmental standards, equal opportunities and freedom of association.

Human resources

The BBC continues to hold the Investors in People (IIP) accreditation across the whole BBC. It is taking active steps to improve its performance in all areas by a programme of rigorous self-assessment every year. The BBC invests a considerable amount of money and time in training and developing its staff as detailed on page 67.

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

Internal communication

Progress in improving internal communication is measured by an annual survey of staff opinion conducted by MORI. The latest of these, conducted in December 2002, showed that the BBC continues to make progress in key areas of communication and remains one of MORI's top ten organisations.

Health and safety

The BBC is committed to providing a safe and healthy place to work and to ensuring that its staff and other people are not placed at risk by its activities. To ensure the BBC drives continuous improvement against this commitment, and as a result of the heightened terrorist and conflict threats, the occupational health and safety and security functions have been brought together under one head, and their integrated offering made more accessible to programme makers and management.

A significant amount of resource was geared to the issues surrounding the war in Iraq and response to the terrorist threat with pan-BBC and divisional procedures continually undergoing revision to ensure BBC journalists/crews in the field, overseas bureaux/offices, and UK sites and staff are provided with the means to do their jobs safely.

The BBC continues to promote knowledge of and contribute to the development of safe practices within the broadcast and production industries through joint industry bodies. At an international level the BBC plays a key role in gaining industry-wide acceptance of the need for the adoption of safe practices by all media staff engaged in newsgathering activities.

UK reportable accidents for the past 12 months decreased from 65 to 48 and there were no fatalities. Of the reportable type incidents, 20 were 'major injuries'. Taking the accidents which occurred to BBC employees in the UK, the accident incident rate per 100,000 employees for the 12 months was 188, representing a 26% reduction for the same group in the previous year. Suspected cases of occupationally related ill health seen by BBC medical officers also continued the downward trend from the previous year. In 2002/2003, the incidence rate of suspected cases of occupational illness (of all types) was 17.78 per 1,000 employees per annum. This compares with 19.47 per 1,000 employees per annum in 2001/2002.

The requirements contained in the Government's *Revitalising Health and Safety* challenge have required extensive internal review of the mechanisms for capturing and collating information. This has resulted in the adoption of a BBC-wide accident/incident database.

The BBC was not subject to any HSE enforcement action and had no convictions for health and safety offences.

During the coverage of the war in Iraq, there were two major incidents which led to the deaths of a freelance cameraman and a locally engaged interpreter and the foot amputation of a news team producer. A number of BBC personnel also suffered shrapnel wounds and their health is being monitored by occupational health.

For a number of years the BBC has ensured, through application of its Hostile Environments Policy, that all those deployed to war zones receive an intensive six-day hostile environment training course. In addition, due to the nature of the conflict, the BBC introduced specific training for chemical, biological, radiological and nuclear threats including the issue of specialist suits and equipment.

5 Governors' remuneration report

This report sets out the BBC's policy on the remuneration of the BBC's Governors and of members of the Executive Committee. Although the BBC is exempt from the requirements introduced by the Directors' Remuneration Report Regulations 2002 and those of the Financial Services Authority, the report has been prepared as if those requirements did apply wherever the disclosure provisions are relevant and applicable. Only the following sections of the Governors' remuneration report are subject to audit: Remuneration received and Governors' and Executive Committee pensions.

Remuneration Committee: constitution and operation

The remuneration policy for members of the Executive Committee is set by the Remuneration Committee, a sub-committee of the Board of Governors. This Committee deals with all matters relating to the remuneration of members of the Executive Committee and is accountable to the Board of Governors for the determination and maintenance of overall remuneration policy and review and agreement of Executive Committee basic salaries, bonus awards and benefits, including pension arrangements. The Committee considers the performance of individual members of the Executive Committee before recommending their annual remuneration and bonus awards to the full Board of Governors.

The members of the Committee during the year were Gavyn Davies (Chairman), Baroness Hogg, Dame Pauline Neville-Jones and Lord Ryder. In addition, meetings are attended by the Director-General, who advises on matters relating to the other members of the Executive Committee and the overall performance of the BBC and by the Director of Human Resources & Internal Communications. Neither is present when matters concerning their own remuneration are considered.

In its constitution and operation the Committee complies with the *Combined Code on Corporate Governance*. The Committee places high value on the independence of its decision-making processes. In consultation with the Director of Human Resources & Internal Communications and the BBC's Head of Compensation and Benefits, the Committee takes specialist advice from external professional advisers on particular remuneration matters, particularly in connection with the consideration of external market practice. During the year, the Committee nominated and received independent advice from both Monks Partnership and the Hay Group on comparative market data to assist in the determination of pay and benefits for the Executive Committee.

Governors: remuneration policy

The Governors receive a fee determined by the Secretary of State for Culture, Media and Sport. They are additionally reimbursed for expenses incurred on BBC business. Expenses

regarded by the Inland Revenue as taxable are settled in full by the BBC, including any related tax payments, and reported as benefits in the table on page 78. The increase in annual remuneration notified for 2002/2003 was 2.5% for the Vice-Chairman and the national Governors, and 2.5% for the Chairman and other Governors (2001/2002 2.7% and 3.6% respectively).

Executive Committee: remuneration policy

The remuneration policy for Executive Committee members tries to balance the BBC's status as a public corporation (and the expectation that all areas of spend, including executive remuneration, must deliver value to the licence payer) with the fact that the BBC operates in a competitive, commercial environment and needs to offer remuneration that enables it to attract, retain and motivate high calibre individuals with the skills and abilities required to lead the BBC.

In doing so, the remuneration policy seeks to:

- remunerate individuals fairly for individual responsibility and contribution, while providing an element of performance-related pay, reflecting the underlying performance of the BBC
- take into account wider salary policy and employment conditions within the rest of the BBC and the relationship that should exist between the remuneration of Executive Committee members and that of other employees
- have regard to the market median levels of total cash reward of relevant comparator organisations in both public and private sectors

The Committee's approach to policy going forward will continue to reflect these principles, underpinned by regular review and monitoring of remuneration policy and practice in organisations outside the BBC.

External data reviewed by the Committee shows that salaries paid at main Board level across the private sector as a whole, and in the media industry in particular, are significantly higher than in the BBC for organisations of similar size and complexity, while the opportunities for annual and long-term bonus payments are also much greater. Conversely the pay levels for senior civil servants and other public sector managers are lower. The remuneration levels set by the Governors fall between the pay of the most senior managers in the public service and those in comparable commercial businesses to reflect the BBC's unique position as a publicly-funded organisation operating and competing in a commercial industry.

Elements of remuneration

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. The basic salary is paid as a fixed sum monthly in cash.

Annual bonus

During 2002 the Committee conducted a thorough review of the policy and approach to variable pay for Executive Committee members. Recognising the importance of maintaining a balance between basic salary and an annual bonus scheme reflecting individual performance and contribution, the Committee considered it appropriate for annual bonuses to have a maximum level of 30% of base salary and a mix of qualitative and quantitative targets and measures. This year, for the first time, the Committee exercised its discretion to adjust the level of payments to take account of broader external market considerations which has resulted in reduced average bonus awards, despite a very strong performance level against the BBC's objectives.

The achievement of BBC-wide objectives accounts for up to 30% of the maximum bonus, with the same level of award applying to all members of the Executive Committee, thereby reinforcing the value and importance of collective performance. Achievement of divisional objectives accounts for up to 40%, and individual performance and contribution for the remaining 30% of any award. For the year under review the targets related primarily to objectives which were set by the Governors and published in the 2001/2002 *Annual Report*.

In the case of the commercial businesses (BBC Worldwide and BBC Ventures Group), the annual bonus plan is directly linked to the achievement of specific financial performance targets relating to sales, cash flow and PBIT. Whilst the maximum annual bonus opportunity is 30% in common with other members of the Executive Committee, the framework is based on:

- for the Chief Executive of BBC Ventures Group, up to 80% of any award for the achievement of PBIT and cash flow targets and up to 20% for individual performance
- for the Chief Executive of BBC Worldwide, up to 66% of any award for the achievement of sales, cash, and PBIT targets and up to 33% for individual performance

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

A long-term incentive plan is also in place for the Chief Executive of BBC Worldwide which provides for a bonus of up to a maximum 20% of salary based on the achievement of headline BBC cash flow targets over a three-year period. The first three-year plan period in the scheme which commenced in April 1999 ended on 31 March 2002 and generated a payment to Rupert Gavin of 14.75% of salary. For the current and future years, any awards under the plan are reflected in the financial statements on an accruals basis. The Governors have also approved the establishment of a comparable plan to be put in place for the Chief Executive

Compliance

of BBC Ventures Group based on the achievement of financial performance targets.

Benefits

In addition to salary and bonus, the main contractual benefits provided are a car and fuel allowance, private health insurance, pension and life insurance. With the exception of the post of the Director of Nations & Regions, it has been the policy for some years that new appointees to the Executive Committee are not eligible for provision of a chauffeur-driven car. The Director-General's contract provides for a chauffeur-driven car, but no additional entitlement to a personal car or fuel allowance.

Pensions

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

A variety of special arrangements has been made for those individuals who joined the BBC late in their careers whose earnings exceed Inland Revenue limits, including funded and unfunded arrangements outside the BBC Pension Scheme.

Employment contracts

The policy of the Remuneration Committee is for the contracts of employment of Executive Committee members to contain a maximum notice period of one year. Each contract expires on the 60th birthday of the director which is the normal BBC retirement age, but is subject to earlier termination for cause or if notice is given under the contract. There is no entitlement to any additional remuneration in the event of early termination other than in the case of termination on grounds of redundancy.

Outside interests

Where there is no potential for conflict of interest and with the prior agreement of the Board of Governors, members of the Executive Committee may hold external directorships. It is likely that not more than two external directorships may be held at the same time, of which only one should be in a commercial organisation. Governors assess such requests against rigorous criteria to ensure that conflicts of interest do not arise. Remuneration which arises from directorships agreed since the introduction of this policy in 1997, or subsequent to appointment, is paid to the BBC. During the year only two Executive Committee members held appointments as executive directors of external organisations.

Remuneration received

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

Governors	Fees £000	Benefits £000	Total 2003 £000	Total 2002 £000
Gavyn Davies (Chairman)	80	19	99	66*
Dame Ruth Deech (appointed 23 October 2002)	7	2	9	–
Sir Richard Eyre	15	2	17	17
Dermot Gleeson	15	8	23	22
Baroness Hogg	15	3	18	17
Professor Merfyn Jones (appointed 1 January 2003)	7	–	7	–
Roger Jones (retired 31 December 2002)	20	1	21	30
Professor Fabian Monds	27	1	28	32
Dame Pauline Neville-Jones	27	7	34	29
Rt Hon The Lord Ryder (Vice-Chairman)	27	3	30	7**
Angela Sarkis (appointed 23 October 2002)	7	2	9	–
Sir Robert Smith	27	1	28	32
Ranjit Sondhi	20	1	21	22
Sir Anthony Young (retired 31 July 2002)	5	2	7	18
	299	52	351	292
Governors who retired during 2001/2002	–	–	–	55
	299	52	351	347

* Appointed Chairman part-way through 2001/2002

** Appointed Governor part-way through 2001/2002

For three months, the fees relating to Sir Robert Smith were paid direct to Deutsche Bank, which released him for the required time to the BBC. Since July 2002 fees have been paid direct to Sir Robert Smith

Executive Committee	Salary £000	Annual bonus £000	Taxable benefits £000	Total 2003 £000	Total 2002 £000	Defined benefit schemes					Defined contribution schemes	
						Annual values		Transfer values ⁴				
						Accrued pension at 31 March 2003 £000pa	Increase in accrued pension over year £000pa	Transfer value of accrued pension at 31 March 2003 £000	Transfer value of accrued pension at 31 March 2002 £000	Increase in transfer value less directors' contrib- utions over year £000	BBC contributions to money purchase schemes 2003 £000	2002 £000
Greg Dyke	368	88	8	464	469							
Jenny Abramsky	211	45	18	274	273							
Jana Bennett ¹ (appointed 20 April 2002)	216	47	181	444	—							
Glenwyn Benson	185	37	16	238	226							
Mark Byford	235	54	17	306	294							
Stephen Dando	221	49	2	272	222*							
Andy Duncan ²	231	55	15	301	235*							
Carolyn Fairbairn ^{2,3}	122	32	15	169	248							
Roger Flynn	231	65	18	314	243*							
Rupert Gavin	278	62	22	362	339							
Ashley Highfield	230	45	19	294	294							
Pat Loughrey	191	41	48	280	259							
Peter Salmon	205	46	28	279	273							
Richard Sambrook	222	49	16	287	260							
John Smith	227	47	26	300	311							
Michael Stevenson (resigned 23 January 2003)	151	—	24	175	233							
Caroline Thomson	179	35	22	236	226							
Alan Yentob ⁴	228	67	26	321	302							
	3,931	864	521	5,316	4,707							
Members who resigned during 2001/2002	—	—	—	—	399							
	3,931	864	521	5,316	5,106							
Payments under long-term incentive plans ⁵				45	40							
Payment to former director ⁶	128	—	2	130	—							
											424	291
											—	5
											424	296

* Appointed to the Committee part-way through 2001/2002

1) Included in the benefits for Jana Bennett is £167,000 in respect of costs incurred in connection with her relocation from the USA in order to take up her appointment with the BBC. A significant proportion of this amount arises from the grossing-up for tax purposes of the fees relating to the sale of her former home in the USA

2) The bonus figures for Andy Duncan and Carolyn Fairbairn include an additional payment of £5,000 each reflecting their contribution to securing the Digital Terrestrial Television (DTT) licences

3) Carolyn Fairbairn took a period of unpaid leave during the year

4) The bonus figure for Alan Yentob includes an additional payment of £20,000 in respect of his on-screen presentation activity during the year

5) The long-term incentive plan is in respect of Rupert Gavin

6) Michael Stevenson resigned from the Executive Committee but remained a member of BBC staff until 30 April 2003. £94,000 of the £128,000 was a payment in lieu of notice in line with his contractual entitlement

Governors and Executive Committee pensions

The BBC provides pension benefits to the Chairman of the Governors and to Executive Committee members. Details of defined benefit entitlements to Executive Committee members who served during the year are shown in the first five columns of the following table. The BBC also makes contributions to money purchase schemes in respect of certain members as shown in the last two columns.

Gayn Davies has waived his entitlement to pension benefits from the BBC in 2003 and 2002.

* Appointed part-way through 2001/2002

1) Jana Bennett was appointed during the year. The increase in transfer values and in accrued pension in the above table is in respect of the period from her appointment on 20 April 2002

2) The accrued benefits shown for Jana Bennett assume that she will complete the two-year service period required before benefits can be claimed

3) The increase in accrued pension for Peter Salmon includes additional pension of £7,000 per annum arising from a transfer-in of £106,000 during the year

4) The transfer value of accrued pension benefits represents the estimated cost to the pension scheme of providing the pension benefit accrued to date. The value is affected by a number of factors, which include age of individual, pensionable salary, years of pensionable service and investment market conditions at the date of calculation (in accordance with Actuarial Guidance Note GNI 1). It is not a sum paid or due to the individual and therefore cannot be meaningfully added to remuneration. The effect of the investment market conditions on the transfer value varies according to the person's age. For older members the calculation reflects the yields on index-linked gilts, while for younger members the calculation reflects the dividend yield on the FTSE All-Share Index. Over the year to March 2003, the index-linked gilt yield has fallen, thereby increasing transfer values linked to gilts, whereas the All-Share dividend yield has increased (due to falling market values), thereby reducing transfer values linked to equities. The effect of this is that transfer values have increased for older members and decreased for younger members

6 Programmes, channels and promotions

The framework of content regulation under which the BBC operates will change markedly during the year ahead as Ofcom assumes its statutory powers. This section reports on a number of editorial compliance matters, some of which will come partly under Ofcom's auspices in due course.

Upholding editorial standards

The Governors ensure that the BBC maintains high editorial standards, monitoring its compliance with the *BBC Producers' Guidelines* and with the Code on Impartiality and Accuracy included in them. Overall, the Governors were satisfied that in 2002/2003 the BBC had met the standards expected of it. They noted, nonetheless, a serious breach of the guidelines relating to product prominence in the Christmas episode of *Absolutely Fabulous*. This had been thoroughly investigated and appeared to be an aberration rather than an indication of serious problems on that programme or elsewhere; steps had been taken to avoid a repetition.

The portrayal of real people in drama also raised issues for programme makers, particularly in the areas of consent, factual accuracy and privacy. The Governors also noted that striking the balance of audience expectations around the watershed hour was an increasing challenge. As a result of a Governors' seminar, an internal project will look at audience expectations for new channels. The labelling of difficult content will also be addressed over the coming year.

The Governors' oversight of impartiality included introducing quarterly rather than half-yearly reporting and the introduction of assessment by independent external experts. Over the next year Governors will undertake more work to satisfy themselves that BBC output continues to meet the highest standards of impartiality.

The Governors approve the *BBC Producers' Guidelines* and all subsequent amendments, receive a quarterly complaints report from BBC Information, including complaints to the Programme Complaints Unit (PCU) and to BBC department heads, and conduct a twice-yearly review of editorial policy. The Governors' Programme Complaints Committee (GPCC) considers appeals by complainants against decisions on serious editorial complaints taken by the PCU or by BBC management and reports monthly to the Board. On behalf of the Governors, the GPCC also ensures that complaints to the BBC are properly handled (see page 62).

New service approvals

All new BBC public services launched since 1 January 1997 require the approval of the Secretary of State for Culture, Media and Sport. The key terms of the approval are also contained in the Statement of Programme Policy for each of these services. The next section reports by exception on performance against the Statements for 2002/2003.

BBC Statements of Programme Policy

The *BBC Statements of Programme Policy 2002/2003* included a large number of measurable commitments. Table 1 on page 122 shows that the BBC met these with the following exceptions:

- **1Xtra:** 1Xtra made a commitment to provide around 20% speech output, half of which would be news, documentaries and social action. In its first eight months on air, it has achieved 19.1% speech with 6.9% news, documentaries and social affairs. Radio & Music management have taken steps to ensure that 1Xtra is on track to achieve both these commitments over its first full year which will ensure it meets the terms of its DCMS approval.
- **Northern Ireland:** BBC Northern Ireland committed to deliver 100 hours of politics in 2002/2003 but only achieved 77 hours, primarily due to the suspension of the Northern Ireland Assembly in October 2002.
- **English Regions:** BBC English Regions committed to making all main regional news programmes at 6.30pm available on digital satellite but is now expecting to achieve this in October 2003. This is linked to the BBC's decision to broadcast its services unencrypted on digital satellite.
- **Regional production:** BBC Television said that at least 33% of network output across all BBC television channels would be made outside London and the South East. This year 31% was produced outside London and the South East – slightly down on the restated figure for 2001/2002 of 32%, despite increased investment (see Table 14, page 130). Last year's figure has been restated following a review of the eligibility criteria to reflect changes in BBC output since the commitment was originally devised in ten years ago. In future Ofcom will agree such targets with the BBC as part of its Tier 2 content regulation so further changes in the eligibility criteria will be published in next year's *Annual Report*.

UK programme quotas

Under the Broadcasting Act 1990 the BBC has a duty to ensure that not less than 25% of the amount of time allocated to the broadcasting of qualifying television programmes is allocated to the broadcasting of a range and diversity of independent productions. The Director-General of the Office of Fair Trading (OFT) is required to report to the Secretary of State for Culture, Media and Sport periodically on the extent to which the BBC has, in his opinion, performed that duty.

His report for the period 1 April 2001 to 31 March 2002 was published in March 2003. It concluded that while the BBC had achieved a satisfactory range and diversity of independent productions, it had not met the quota – achieving 21.8%.

Recent takeovers by broadcasters of major independent producers have had the effect of removing their status as independents for the purposes of UK legislation and make it increasingly difficult for the BBC to meet the quota. If such

production companies had been counted towards the 2001/2002 total, the BBC would have met its hours target.

The DCMS has acknowledged this issue and has committed to amending the relevant secondary legislation to reinstate suppliers such as Endemol which is a significant supplier to the BBC but which had its status changed following a takeover by a foreign broadcaster. Producers owned by UK broadcasters will still be unable to claim independent status.

The BBC's total commitment in 2001/2002 to external suppliers of qualifying output amounted to 27.5% of hours and 29.4% of spend.

EU programme quotas in the calendar year 2002

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

The BBC exceeded EU quotas in the calendar year 2002. Of the relevant BBC One and BBC Two output, 81% was of European origin (2001 79%) and 13% was made by European independent producers (2001 11%). Of the relevant output of all BBC channels (including BBC Choice – now BBC Three, BBC Four, CBeebies, CBBC and BBC News 24), 85% was of European origin (2001 88%) and 19% was made by European independent producers (2001 20%).

European channel broadcasting regulation

The BBC broadcasts two television channels in Europe, BBC Prime and BBC World. Both channels were originally operated by European Channel Broadcasting Limited, a wholly owned subsidiary of BBC Worldwide Limited, but on 1 December 2002 the Secretary of State approved the transfer of the business and assets of the BBC World channel to a new company, BBC World Limited, which became a wholly owned subsidiary of BBC Commercial Holdings Limited. Both channels are licensed by the ITC as satellite television services.

In accordance with the principles on which the Secretary of State's approval was originally granted:

- arm's length trading relationships were maintained between the BBC and the companies responsible for the BBC World and BBC Prime channels
- the companies operating the channels complied fully with the *BBC Commercial Policy Guidelines* and the Fair Trading Commitment and with applicable provisions of EU law

- the programmes shown on the two channels complied with relevant ITC codes and the BBC-made programmes were produced in accordance with *BBC Producers' Guidelines*

On air promotions: Office of Fair Trading undertaking

Following the 1992 report of the Monopolies and Mergers Commission (on the publicising, in the course of broadcasting, of goods supplied by the broadcaster), the BBC gave an undertaking to the Office of Fair Trading to use only still trails to give information about BBC magazines. The terms of the undertaking also commit the BBC not to exceed more than seven minutes as an aggregate across a seven-day period in relation to on air promotions of BBC magazines on its television services. Although the legal obligation applies only to BBC magazines, the Governors' Fair Trading Commitment commits to apply the spirit of the undertaking to all on air promotions of commercial products.

During the period 1 April 2002 to 31 March 2003 the total on the BBC's television services for all BBC magazines (including *Radio Times*) was 3 hours 10 minutes and 30 seconds of transmission (2001/2002 2 hours 25 minutes 30 seconds), which averages out at 3 minutes 40 seconds in a seven-day period (2001/2002 2 minutes 45 seconds). The total for all commercial products (including BBC Worldwide and independent products) was 4 hours 38 minutes (2002 4 hours 37 minutes 30 seconds) which averages out to 5 minutes 20 seconds (2001/2002 5 minutes 19 seconds) in a seven-day period.

7 Donations and acknowledgements

BBC policy is not to make political donations.

In addition to broadcast appeals detailed on page 65, donations to charities by BBC commercial businesses amounted to approximately £9,000 during the year (2002 £8,500). A total of £1.1 million in copyright royalties was paid to Golden Jubilee Events Limited in respect of an agreement between the BBC, Golden Jubilee Events Limited and BBC Worldwide Limited in regard to producing, staging and broadcasting the Golden Jubilee musical concerts at Buckingham Palace in June 2002. Golden Jubilee Events Limited is a subsidiary of the Queen's Golden Jubilee Trust, to which all of its profits are donated.

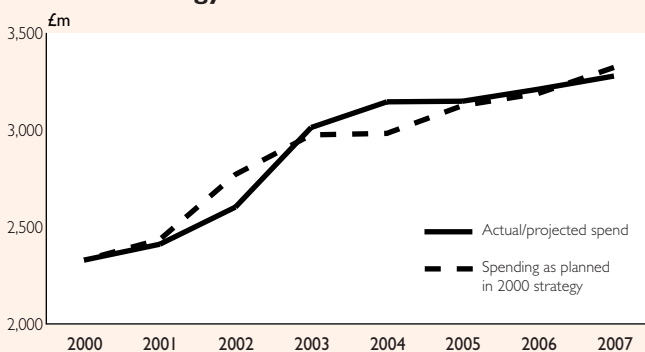
The BBC acknowledges financial grants from the European Commission for various technical research projects.

Financial review

Summary

In the summer of 2000 an ambitious strategy was set out by the BBC for the period up to the end of the current Charter in December 2006. This involves very significant levels of new investment in content and the launch of many new channels across television and radio. The financial year 2002/2003 marked major strides forward against that strategy. Four new channels were launched and the annual spend on programmes was increased by £346million (17%).

UK Public Service Broadcasting spending versus the 2000 strategy

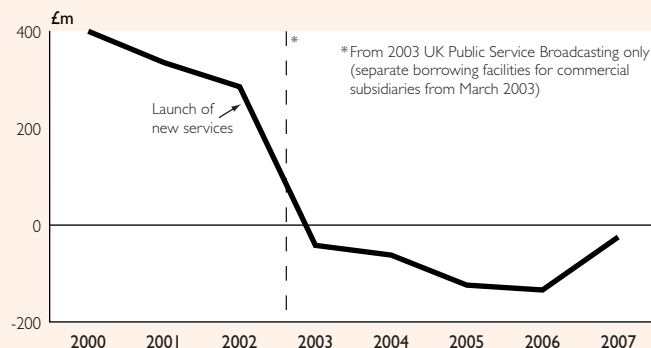


Also in the year a groundbreaking approach to television distribution was put in place with Freeview and substantial progress has been made with the BBC's property rebuilding programme.

All of this was made possible by success in reducing licence fee evasion, improvements in the performance of the commercial subsidiaries, and by using the surplus cash balance built up in earlier years.

Because of this the Group cash balance moved from a surplus of £285million at the start of the year to Group net debt of £74million at the end. This mid-Charter period will be characterised by spending levels being higher than income causing temporary debt in UK Public Service Broadcasting. The cash reduction has been forecast for the last three years but has been more gradual than originally planned. With income rising each year – from the combined effects of improvements in licence fee collection effectiveness and the RPI + 1.5% annual increases in the level of the licence fee – there will only be a few more years when bank finance is being used and the strategy is to break even over the Charter period.

Cash/debt levels



Income

Licence fee

The licence fee continues to provide well over 94% of the money available for BBC services. In 2002/2003 evasion rates fell from 7.9% to 7.2%. Maintaining and improving collection efficiency is critically important and one of the BBC's objectives for 2002/2003 was to increase the cash inflow to the BBC from improved licence fee collection. This objective was achieved. Licence fee revenues of £2,659million were up £126million on 2001/2002:

	£m
Improvements in collection effectiveness	54
Inflation	38
Increase in licence fee above inflation	34
Year on year increase	126

This increase was achieved against a backdrop of significant change, with new contractors, Capita and AMV, being brought in during 2002 to take over collection and enforcement for the first time. Capita is introducing many changes in the television licence operation with new detection equipment, new call centres, faster turnaround times and a new database. These changes resulted in some increases in collection costs in 2002/2003 after last year's unusually low base. Collection costs in 2002/2003 returned to the medium-term trend of 5.5% of income.

During the year the NAO published its report, *Collecting the Television Licence*, in which Sir John Bourne, Comptroller and Auditor General, praised the BBC for the good work that it had done to reduce the evasion rate and to strengthen the collection and enforcement arrangements.

Commercial earnings

Several BBC commercial businesses generate supplementary cash flow from the exploitation of BBC physical assets and intellectual property. This extra source of cash flow is used to increase the money available for programmes in UK Public Service Broadcasting.

During the year the BBC created a new holding company, BBC Commercial Holdings Limited, for all its commercial

businesses. This new structure provides greater clarity in the separation of the BBC's public service operations from its commercial activities and provides a conduit for loans to the commercial group, for which the DCMS approved a separate borrowing limit of £350million in July 2002. Banking facilities for this group were put in place in March 2003.

Under the current licence fee settlement, the Government challenged the BBC to increase the amount it raised from commercial operations. This was also one of the financial objectives the Governors set the BBC for 2002/2003. Despite difficult trading conditions, this objective was achieved with a small increase year on year. During 2002/2003 the commercial businesses together contributed £124million to the BBC in cash. In addition, a further £23million was made available for programmes through savings in support costs on services provided to the BBC by the commercial businesses. Overall, the commercial businesses contributed a total of £147million compared with £142million in 2001/2002.

BBC Worldwide and BBC World

Of the commercial businesses, BBC Worldwide contributes the most to the BBC. During 2002/2003 BBC Worldwide increased its cash return to £123million, up from £106million in 2001/2002.

BBC World, while increasing its distribution around the world, faced a tough advertising market in 2002/2003. During 2002/2003 it had a cash outflow of £14million (of which £9million relating to the period before BBC World was split from BBC Worldwide Group is included in BBC Worldwide's cash result). Although not yet profitable, nor contributing cash to the BBC, the channel met its targets for the year and it is planned to become a net contributor of cash in later years.

BBC Ventures Group

The BBC Ventures Group had a strong sales year, bolstered by a high level of BBC and external activity in the provision of programme resources and technology services. For the first time all the businesses in this Group produced a profit, including BBC Broadcast which only began trading at the start of the year and BBC Resources which had been loss making since it was formed in 1998. The Group contributed £6million in cash overall. The cash contribution was down on 2001/2002 due to significant investment in the year by the Group in capital assets from which the Group expects to generate increased contributions in future years. These businesses also help the BBC by contributing to cost reductions in the supply of facilities which amounted to £23million in 2002/2003, up from £12million in the previous year.

Expenditure

Spending on programmes

The BBC promised to increase spend on programmes by at least £450million in the two years to 2002/2003. This objective

was also beaten with a total increase of £616million (including inflation) over the two-year period, of which £346million occurred in 2002/2003. This extra spend has been used to enhance programme quality, particularly on BBC One, to increase the range of distinctive localised programmes and to launch the new digital services. During the year the BBC launched BBC Three and three new digital radio channels (1Xtra, BBC 7 and BBC Asian Network).

The split of the BBC's expenditure across its different channels and services is shown in Note 2b to the financial statements on page 95. All direct programme costs are allocated to each service. Programme related spend, on areas such as newsgathering, collecting societies, orchestras and performing rights groups, which was apportioned across individual services in the previous year, has been separately analysed this year for greater transparency. The 2002 comparatives have been restated accordingly.

The BBC spent £280million on digital programmes in 2002/2003 up from £184million in 2001/2002. Only 13.7% of BBC programme spend is on digital services but 47.1% of the population can now receive digital television.

During 2002/2003 the BBC spent £976million in the creative industry outside the BBC, up from £828million in 2001/2002 (see table 19 on page 131).

Overheads

The BBC promised to reduce overheads from 24% three years ago to 15% by March 2004. This target was achieved early and in 2002/2003 reached a new low of 13%.

Distribution

As part of its cost reduction drive, the BBC made major changes to its channel distribution arrangements. During November 2002 the BBC bid successfully for a 12-year digital terrestrial television (DTT) licence. The BBC entered into a joint venture with Crown Castle and BSkyB to develop the Freeview free-to-air digital offering. This has been very successful and 680,000 set top boxes had been sold by retailers by the year end. This venture is a cost-effective way of attracting new viewers and listeners to the BBC's digital services.

From July 2003 the BBC will broadcast its eight television channels unencrypted on digital satellite. This will make the BBC's digital services available to more people and also allow the BBC to make substantial savings.

Result for the year

The BBC does not have shareholders and does not aim to make a profit. Operating surpluses and deficits represent short-term timing differences between income and expenditure which will reverse in subsequent years. The

Financial review

result for 2002/2003, a deficit of £315million, is in line with the BBC's five-year plan in which the large improvement in spending on programmes and services is achieved by making use of the BBC's historic high cash balances and temporary bank finance within the overall aim of breaking even over the Charter period.

Assets and liabilities

Property

During 2002/2003 the BBC has continued with its very ambitious programme to upgrade its 8 million square foot property estate. One third of the BBC's top 100 buildings have been upgraded or works are in progress, with another third at the planning stage. Key developments include new buildings for BBC Radio Stoke, Leicester, Leeds and Tunbridge Wells and the securing of modern new space in the Mailbox shopping centre in Birmingham and the Forum Building in Norwich.

The biggest schemes all moved forward in the year. In Glasgow, internal approval was granted for a completely new broadcasting centre to house BBC Scotland at Pacific Quay. The planning application will be submitted this summer. At White City in London, the 550,000 square feet of new buildings moved towards completion and the move into new offices is now six months ahead of schedule. At Broadcasting House in central London, planning applications were approved and work commenced on the redevelopment of the BBC's flagship headquarters to provide a new broadcasting centre for the radio networks, BBC World Service and the BBC's network news journalism. These three schemes are all being carried out through the 50:50 partnership with Land Securities Trillium.

Pension fund

The BBC Pension Scheme, to which the majority of employees belong, is a final salary (defined benefit) scheme. This scheme is a key part of the remuneration offer for BBC staff and the BBC has publicly confirmed its commitment to the scheme and that it will remain a defined benefit scheme.

Although the scheme is managed by the trustees using long-term actuarial valuations, the financial statements are required under the contentious accounting standard FRS 17 to include the pension scheme at a valuation which reflects the market value of the scheme assets on one day in time irrespective of their long-term performance. As is the case for many defined benefit pension funds, the market valuation has been hit this year by a sharp decline in equity values although this has since begun to reverse. In addition a fall in interest rates has led to an increase in the theoretical present value of future pension liabilities. This has taken the net valuation of the pension scheme calculated under FRS 17 to a deficit of £1,070million at 31 March 2003.


Along with several other leading companies, the BBC adopted FRS 17 early. Many other companies, however, have

not adopted this standard and the Accounting Standards Board has delayed its formal adoption date to 2005, as part of the International Financial Reporting Standards conversion project.

To put the FRS 17 accounting methodology into perspective, the health of the BBC Pension Scheme should be considered in light of the following factors:

- the discount rate for the scheme's liabilities is prescribed by FRS 17 as the long run bond yield, irrespective of the maturity of the scheme's liabilities. The scheme's liabilities are far from mature and the fact that long run bond yields have fallen recently is no reason to believe that the liabilities have increased in practice
- the FTSE All-Share Index fell 32% in the year to 31 March 2003 compared with a fall in BBC Pension Scheme assets of 21% (from £6,219million to £4,903million). The FTSE All-Share Index has risen since 31 March 2003 so if the asset valuation were undertaken more recently a very different picture would be presented
- the scheme is still accumulating value each year. Cash receipts to the scheme, from contributions and income from investments, continue to exceed cash outgoings to members
- in order to ensure the continued health of the scheme, the BBC has taken a decision to increase its cash contributions to the scheme from the current 4.5% to 6%. The increase of 0.5% a year for each of the next three years took effect from 1 April 2003. BBC employees are also increasing their contributions by a similar amount with their first 0.5% increase taking effect from 1 April 2004. These changes increase the value of the fund by around £200million. FRS 17 does not allow these changes to be reflected in the figures, but the BBC believes that the increases in contributions will help ensure the continued health of the scheme and the BBC will be commissioning an interim triennial valuation 18 months early in autumn 2003 to review their impact
- the annual cash cost of the BBC Pension Scheme to the BBC is £33million per annum. This is less than 1% of the BBC's income which gives a good deal of flexibility for the future
- the BBC Pension Scheme trustees manage the scheme for the long term. They agree funding decisions based on a long-term (actuarial) view of the assets required to fund the scheme's liabilities. The most recent actuarial valuation (April 2002) shows a surplus of £441million with assets sufficient to cover 109% of the benefits due to members

Taking all these factors into account the BBC continues to believe the scheme is well funded and remains committed to its long-term financial health.



John Smith

Director of Finance, Property & Business Affairs

Consolidated statement of income and expenditure

for the year ended 31 March

The BBC does not aim to make a surplus. Surpluses and deficits represent short-term timing differences between income and expenditure which will reverse in subsequent years.

	Note	2003 £m	2002 £m
Group income	1	3,532.0	3,382.9
Operating expenditure	2	(3,938.6)	(3,556.3)
Group operating deficit		(406.6)	(173.4)
Share of operating surplus of associates and joint ventures		2.9	1.4
Operating deficit	3	(403.7)	(172.0)
(Loss)/profit on sale and termination of operations	5	(0.4)	7.7
(Loss)/profit on disposal of fixed assets	6	(14.3)	11.7
Deficit before interest and taxation		(418.4)	(152.6)
Net interest receivable and other similar items	7	5.1	21.6
Other finance income (from defined benefit pension scheme)	8a	114.3	133.9
(Deficit)/surplus before taxation and minority interest		(299.0)	2.9
Taxation	9	(15.7)	(17.7)
Minority interest		0.1	(1.1)
Deficit for the financial year	18	(314.6)	(15.9)

The BBC has entered into certain joint ventures with Flextech and Discovery Communications Inc. but has no obligation to make good its share of their cumulative operating losses (see Note 13d).

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

There is no material difference between the results as disclosed above and the results on a historical cost basis.

Balance sheets

at 31 March

	Note	Group 2003 £m	Group 2002 £m	UK Public Service Broadcasting 2003 £m	UK Public Service Broadcasting 2002 £m
Fixed assets					
Intangible fixed assets	10	15.7	15.4	–	–
Tangible fixed assets	11	802.9	760.8	554.2	520.8
Investment in programmes for future sale	12	108.3	111.8	–	–
Other investments	13	17.8	16.8	318.3	299.2
		944.7	904.8	872.5	820.0
Current assets					
Stocks	14	468.9	449.4	437.7	425.3
Long-term debtors	15	158.6	137.2	131.8	113.8
Current debtors	15	605.5	663.6	487.3	542.8
Total debtors		764.1	800.8	619.1	656.6
Short-term investments	20	64.9	356.8	32.9	356.8
Cash at bank and in hand	20	69.5	0.3	7.9	–
		1,367.4	1,607.3	1,097.6	1,438.7
Creditors – amounts falling due within one year	16	(920.5)	(871.2)	(782.9)	(767.9)
Net current assets		446.9	736.1	314.7	670.8
Total assets less current liabilities		1,391.6	1,640.9	1,187.2	1,490.8
Creditors – amounts falling due after more than one year	16	(159.4)	(102.5)	(56.2)	(46.1)
Provisions for liabilities and charges	17	(72.0)	(82.6)	(64.3)	(74.6)
Net assets excluding pension asset and liability		1,160.2	1,455.8	1,066.7	1,370.1
Pension asset	8	–	965.0	–	–
Pension liability	8	(1,074.5)	(3.9)	–	–
Net assets		85.7	2,416.9	1,066.7	1,370.1
Represented by					
Operating reserve excluding pension asset and liability	18	296.0	646.2	203.0	561.1
Pension reserve	18	(1,074.5)	961.1	–	–
Operating reserve		(778.5)	1,607.3	203.0	561.1
Capital reserve	18	858.1	802.6	858.1	802.6
Revaluation reserve	18	5.6	6.4	5.6	6.4
		85.2	2,416.3	1,066.7	1,370.1
Minority interest		0.5	0.6	–	–
		85.7	2,416.9	1,066.7	1,370.1

The BBC has entered into certain joint ventures with Flextech and Discovery Communications Inc. but has no obligation to make good its share of the net liabilities which at 31 March 2003 amounted to £62.9million (2002 £82.5million). These liabilities have not been included in the financial statements (see Note 13d).

The financial statements were approved by the Governors and Executive Committee on 19 June 2003 and signed on their behalf by:

Gavyn Davies *Chairman*

Greg Dyke *Director-General*

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

Consolidated cash flow statement

for the year ended 31 March

	Note	2003 £m	2002 £m
Net cash (outflow)/inflow from operating activities	19	(68.3)	217.5
Dividends received from joint ventures and associates		1.3	1.1
Return on investments and servicing of finance			
Interest received		11.5	24.9
Interest paid		(2.0)	(2.8)
Interest paid on finance leases		(0.2)	–
Net cash inflow from return on investments and servicing of finance		9.3	22.1
Taxation			
Taxation paid		(12.9)	(13.9)
Capital expenditure and financial investments			
Purchase of tangible fixed assets		(179.9)	(194.2)
Investment in programmes for future sale		(85.5)	(83.2)
Investment in intangible fixed assets		(2.7)	(8.7)
Proceeds from the sale of investments		–	0.6
Proceeds from the sale of investment in programmes		0.4	5.9
Proceeds from the sale of tangible fixed assets		5.4	46.8
Net cash outflow from capital expenditure and financial investments		(262.3)	(232.8)
Acquisitions and disposals			
Purchase of a subsidiary net of overdrafts acquired		–	(9.1)
Investments in joint ventures		(1.2)	(11.4)
Proceeds from sale and termination of operations		3.2	9.0
Proceeds from disposal of interests in joint ventures and associates		0.1	–
Net cash inflow/(outflow) from acquisitions and disposals		2.1	(11.5)
Net cash outflow before use of liquid resources and financing		(330.8)	(17.5)
Management of liquid resources			
Net cash withdrawn from deposit		–	15.0
Sale/(purchase) of other liquid resources	20	291.9	(103.4)
Net cash inflow/(outflow) from management of liquid resources		291.9	(88.4)
Financing			
New loans	20	85.0	10.3
Repayment of loans	20	(25.9)	–
Repayment of finance leases		(21.2)	–
Repayment of loan notes	20	(0.5)	–
Net cash inflow from financing		37.4	10.3
Decrease in cash in the year	20,21	(1.5)	(95.6)

Consolidated statement of total recognised gains and losses

for the year ended 31 March

	Note	2003 £m	2002 £m
Group deficit for the financial year		(314.6)	(15.9)
Exchange differences on retranslation of overseas subsidiaries		(3.1)	0.5
Actuarial loss on defined benefit pension schemes	8	(2,013.4)	(725.4)
Total recognised gains and losses relating to the year		(2,331.1)	(740.8)

Reconciliations of movement in reserves

for the year ended 31 March

	Group 2003 £m	Group 2002 £m	UK Public Service Broadcasting 2003 £m	UK Public Service Broadcasting 2002 £m
Deficit for the financial year	(314.6)	(15.9)	(303.4)	(9.3)
Other recognised gains and losses relating to the year (net)	(2,016.5)	(724.9)	–	–
Decrease in reserves during the year	(2,331.1)	(740.8)	(303.4)	(9.3)
Opening reserves	2,416.3	3,157.1	1,370.1	1,379.4
Closing reserves	85.2	2,416.3	1,066.7	1,370.1

Statement of accounting policies

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

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

Basis of accounting

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

Basis of consolidation

The BBC Group comprises:

- UK Public Service Broadcasting and those subsidiaries incorporated to act solely on its behalf (notably Centre House Productions Limited, BBC Property Limited and BBC Property Investments Limited)
- BBC World Service (and its subsidiaries)
- Commercial subsidiary companies comprising BBC Resources Limited and BBC Commercial Holdings Limited and its various subsidiaries (notably BBC Worldwide Group, BBC World Group and BBC Ventures Group)

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiaries acquired or disposed of in the year are included in the consolidated statement of income and expenditure from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the Group has a long-term interest, usually between 20% and 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of profits less losses of associates and joint ventures is included in the consolidated statement of income and expenditure and its interest in their net assets is included in the consolidated balance sheet.

A separate statement of income and expenditure reflecting the results of UK Public Service Broadcasting has not been presented, as permitted by Section 230 of the Companies Act 1985.

These accounts of the BBC Group include the results of UK Public Service Broadcasting, BBC World Service and all businesses controlled by the BBC (subsidiaries) together with the BBC's share of the results of businesses over which the BBC has influence but not control (associates) and those which the BBC jointly controls (joint ventures).

Investments

Investments are recorded on the balance sheet of UK Public Service Broadcasting at cost less provision for any impairment in value. The funding of UK Public Service Broadcasting and BBC World Service is legally separate and cross-subsidisation is not

permissible. Accordingly, for the purposes of preparing UK Public Service Broadcasting's balance sheet, UK Public Service Broadcasting is considered to have an investment in BBC World Service equal to the net assets of BBC World Service.

Income

Income, which excludes value added tax, trade discounts and sales between Group companies, is comprised of the following key classes of revenue, which are recognised as follows:

- **Television licences**
Income derived from television licences, receivable from the Department for Culture, Media and Sport, represents the value of licences issued in the year. The amount which can be paid in cash to the BBC for any year cannot exceed the total amount voted by Parliament for that year. Any difference between the value of licences issued and the amount voted is adjusted in the amount of cash received in the following year. Any amounts which have not been paid to the BBC are included within debtors.
- **Grant-in-Aid from the Foreign and Commonwealth Office**
BBC World Service income, primarily derived from a Grant-in-Aid from the Foreign and Commonwealth Office, is intended to meet estimated expenditure in the year but unexpended receipts for the year, within predetermined limits, are not liable to surrender.
- **Provision of equipment, facilities and services**
With the exception of long-term contracts, income is recognised when the equipment, facilities and services are provided to customers.

For long-term contracts, the amount of profit attributable to the stage of completion is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in prior years. Provision is made for any losses as soon as they are foreseen.
- **Provision of programme making facilities and services** – recognised on provision of service
- **Licence fees from distribution of joint productions** – recognised on the later of delivery of rights and the start of the licence period
- **Programme distribution and channel income** – recognised on provision of service
- **Sale of promotional merchandise** – recognised on delivery

The distinction between the various income sources is important. The BBC is careful not to cross-subsidise commercial, UK Public Service or BBC World Service activities. More information on these BBC fair trading requirements and policies can be found on pages 68 to 71 of this report.

Foreign currency translation

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

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

Statement of accounting policies

liabilities at these rates of exchange, together with exchange differences arising from trading, are included in the statement of income and expenditure.

The profit and loss accounts and cash flows of overseas subsidiaries are translated into sterling at average rates for the year. Exchange differences arising on consolidation from the retranslation of the opening net assets of overseas subsidiaries and any related long-term foreign currency borrowings are taken directly to the operating reserve, together with the differences arising when the profit and loss accounts are retranslated at the rates ruling at the year end. Other exchange differences are taken to the statement of income and expenditure.

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

Pension costs

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

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

The defined benefit schemes, of which the majority of staff are members, provide benefits based on final pensionable pay. Amounts are charged to expenditure so as to spread the cost of pensions over employees' working lives with the BBC. The assets of the BBC's main scheme are held separately from those of the Group.

UK Public Service Broadcasting and its subsidiary undertakings have taken advantage of the provisions included within FRS 17, *Retirement benefits*, and account for the scheme as if it were a defined contribution scheme. This is because the pension scheme is managed centrally across the whole Group and it is not possible to allocate the underlying assets and liabilities of the scheme on a reasonable and consistent basis. The expenditure charge under FRS 17 for UK Public Service Broadcasting and its subsidiary undertakings therefore represents the contributions payable in the year.

On retirement, members of the BBC's main pension scheme are paid their pensions from a fund which is kept separate from the BBC Group. The BBC makes cash contributions to that fund in advance of members' retirement.

Research and development

Research and development expenditure is written off as incurred.

Intangible fixed assets

Goodwill

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

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

Intellectual property rights

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

Tangible fixed assets

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

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

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

Land and buildings

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

Plant and machinery

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

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

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

There is no material difference between the net book value of these tangible fixed assets and their value as determined on a historical cost basis.

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

Investment in programmes for future sale

Investment in programmes for future sale is stated at cost, after writing off the costs of programmes that are considered irrecoverable, less accumulated amortisation. Amortisation of investment in programmes for future sale is charged to the income and expenditure account over the estimated average marketable life of the programme genre which is generally between two and ten years. The cost and accumulated amortisation of investment in programmes for future sale are reduced by programmes which are fully written off.

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

Originated programme stocks and work in progress

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

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

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

Acquired programmes and film stocks

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

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

Other stocks

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

Deferred tax

Deferred tax is computed under the liability method. Full provision, without discounting, is made in respect of timing differences between certain items in the financial statements and their treatment for taxation purposes at the balance sheet date except as otherwise required by FRS 19, *Deferred tax*. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

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

Operating leases

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

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

Finance leases

Assets acquired under finance leases are included within fixed assets at the total of the lease payments due over the life of the lease discounted at the rate of interest inherent in the lease. The same amount is included in creditors. Rental payments are apportioned between the finance element, which is charged against the income and expenditure account, and the capital element which reduces the lease creditor.

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

Reserves

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

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

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

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

Cash and liquid resources

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

Financial instruments

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

Disclosure of the Group's loans and other financial assets and liabilities is provided within Note 23 to the financial statements.

Notes to the financial statements

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

UK Public Service Broadcasting Group (referred to as 'Home Services' within the BBC Charter) comprises the UK public service broadcasting operations and those subsidiary companies incorporated to act solely on behalf of those public service operations.

BBC World Service comprises the Government-funded BBC World Service and media monitoring activities.

Commercial Businesses comprise businesses which generate external income from exploitation of the BBC's programmes, other assets and skill base.

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

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

	Note	UK Public Service Broadcasting Group £m	BBC World Service £m	Commercial Businesses £m	Total £m
2003					
Total income		2,797.3	224.2	1,144.0	4,165.5
Less: Intra-Group income		(116.1)	(0.5)	(437.4)	(554.0)
Less: Share of joint ventures		–	–	(79.5)	(79.5)
Group external income	<i>1b,d,g</i>	2,681.2	223.7	627.1	3,532.0
(Deficit)/surplus before interest and taxation	<i>1e</i>	(331.1)	7.9	41.3	(281.9)
Defined benefit pension scheme					
– additional operating costs*†					(136.5)
– other finance income*					114.3
Net interest receivable					5.1
Deficit before taxation and minority interest					(299.0)
Net assets (excluding pension liability)		771.6	142.8	245.8	1,160.2
Pension liability*					(1,074.5)
Net assets					85.7
2002					
Total income		2,698.2	211.1	1,017.2	3,926.5
Less: Intra-Group income		(130.3)	(0.4)	(331.3)	(462.0)
Less: Share of joint ventures		–	–	(81.6)	(81.6)
Group external income	<i>1b,d,g</i>	2,567.9	210.7	604.3	3,382.9
(Deficit)/surplus before interest and taxation	<i>1e</i>	(30.8)	9.4	20.3	(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	237.8	1,455.8
Pension asset (net)*					961.1
Net assets					2,416.9

* 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 taxation of each entity. The additional operating cost is the cost to the Group over and above these cash contributions

Ib UK Public Service Broadcasting Group income

The income from licences represents the value of all licences issued in the year.

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.

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

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

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

	2003 £m	2002 £m
Licence fee income		
Colour	2,271.3	2,164.3
Monochrome	2.8	3.4
Concessionary	0.9	0.8
Over 75s	370.9	350.0
Quarterly payment scheme premium	15.9	16.3
Other licence fee income and adjustments	(3.3)	(1.8)
Total licence fee income	2,658.5	2,533.0
Open University	0.1	7.7
Other income	22.6	27.2
Total external income	2,681.2	2,567.9

During the year 3.2 million (2002 3.3 million) colour licences were issued under the quarterly payment scheme at a premium of £5 each (2002 £5).

	2003 Number m	2002 Number m
Licences in force		
Colour	20.1	19.9
Monochrome	0.1	0.1
Over 75s	3.7	3.6
Concessionary	0.2	0.2
	24.1	23.8

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 for Work and Pensions.

	2003 £	2002 £
Licence fees		
Colour	112.00	109.00
Monochrome	37.50	36.50
Concessionary	5.00	5.00

From 1 April 2003 the colour and monochrome licence fees were increased to £116 and £38.50 respectively. The concessionary licence remained at £5.

Ic Geographical analysis of UK Public Service Broadcasting Group

UK Public Service Broadcasting Group income and deficit arises in the UK. The net assets used by these operations are located in the UK.

Id BBC World Service income

Other income is generated from the sale of programmes, co-production deals, publishing activities and the provision of media monitoring services.

	2003 £m	2002 £m
Grant-in-Aid	201.0	187.9
Subscriptions	16.1	15.6
Other income	6.6	7.2
Total external income	223.7	210.7

Ie BBC World Service surplus before interest and taxation by activity

	2003 £m	2002 £m
Broadcasting	6.5	8.6
BBC Monitoring	1.4	0.8
Total surplus before interest and taxation	7.9	9.4

Notes to the financial statements

If Geographical analysis of BBC World Service

BBC World Service income and surplus arises in the UK.

Location of BBC World Service net assets:	2003 £m	2002 £m
UK	56.1	50.2
Overseas	86.7	84.1
Net assets	142.8	134.3

Ig Analysis of Commercial Businesses' income by activity

	2003 £m	2002 £m
Publishing and new media	338.0	331.7
Programme distribution	168.8	172.3
Channels	79.0	71.8
Provision of play out and channel management services	98.3	–
Provision of programme making facilities and services	157.7	148.9
Provision of technology services	222.1	208.5
beeb Ventures Limited	0.6	2.4
Less intra-Group income	(437.4)	(331.3)
Total external income	627.1	604.3

Play out and channel management services were provided by an internal division of UK Public Service Broadcasting in 2002. On 2 April 2002 provision of these services transferred to BBC Broadcast Limited.

Ih Geographical analysis of Commercial Businesses

	United Kingdom £m	Americas £m	Rest of the world £m	Total £m
2003				
Income by destination	370.0	112.0	145.1	627.1
Surplus/(deficit)before interest and taxation	31.6	(2.5)	12.2	41.3
Net assets	208.1	37.4	0.3	245.8
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

All commercial income arises in the UK as this is where rights for exploitation and the skills and services of the Commercial Businesses are developed.

2 Operating expenditure

2a Analysis of operating expenditure by activity

	Note	Total 2003 £m	Total 2002 £m
UK Public Service Broadcasting Group	2b	2,999.4	2,602.1
BBC World Service*	2c	215.8	204.6
Commercial Businesses	2d	586.9	598.1
Non-cash pension scheme operating costs**		136.5	151.5
		3,938.6	3,556.3

* BBC World Service expenditure of £215.8million (2002 £204.6million) excludes £0.5million (2002 £0.4million) of expenditure on the provision of services to other BBC Group companies

** 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

This table shows where the customers of BBC Commercial Businesses are based.

This year this note has been expanded to give further detail on programme related spend. The 2002 figures have been re-analysed accordingly.

2b UK Public Service Broadcasting Group expenditure

	Note	2003 £m	2002 £m
Analogue services			
BBC One		858.9	731.0
BBC Two		367.4	311.6
National and regional television		211.1	188.6
National, regional and local radio		130.8	116.1
BBC Radio 1		17.2	16.8
BBC Radio 2		21.6	21.8
BBC Radio 3		30.2	31.0
BBC Radio 4		64.8	62.5
BBC Radio Five Live		53.8	50.3
		1,755.8	1,529.7
Digital services			
CBBC, CBeebies	i	39.9	11.0
BBC Three (previously BBC Choice)	ii	75.5	44.2
BBC News 24		23.8	25.7
BBC Parliament		2.7	2.5
BBC Four	i	41.2	24.5
Digital text and interactive television		9.5	7.3
IXtra	iii	4.0	–
BBC Five Live Sports Extra	iii	1.7	0.7
6 Music	iii	4.0	0.2
BBC 7	iii	2.2	–
BBC Asian Network		3.1	1.8
BBCi on the internet		72.3	66.5
		279.9	184.4
Transmitted programme spend	iv	2,035.7	1,714.1
Programme related spend			
Newsgathering		94.2	94.8
Marketing, press, publicity and events	v	63.5	48.3
On-air trails and navigation		25.5	22.0
Market research		12.7	11.7
Collecting societies		52.0	50.4
Orchestras and performing groups		15.5	14.6
Helplines, one-off events and other programme related spend		79.2	76.1
		342.6	317.9
Total programme spend		2,378.3	2,032.0
Overheads	vi	346.0	347.5
Total output spend		2,724.3	2,379.5
Percentage of output spend on programmes		87%	85%
Licence fee collection costs	vii	146.4	95.4
Transmission costs	viii	141.7	127.2
		288.1	222.6
Total broadcasting expenditure*		3,012.4	2,602.1

* Total broadcasting expenditure includes an exceptional loss on disposal of fixed assets within overheads of £13.0million (see Note 6).

i) Children's channels and BBC Four show an increase in costs reflecting their first full year of transmission. BBC Four costs are greater than those of its predecessor BBC Knowledge due to higher levels of originated programming.

ii) BBC Three was launched in February 2003 to replace BBC Choice. Increased costs were incurred by BBC Three due to launch costs for the new channel and additional commissions prior to launch.

Notes to the financial statements

2b UK Public Service Broadcasting expenditure *continued*

iii) BBC Five Live Sports Extra and 6 Music were both launched at the end of the 2002 financial year, so have incurred their first full year of costs in 2003. 1Xtra was launched in August 2002 and BBC 7 was launched in December 2002.

iv) Total spend on transmissions has risen in line with the BBC's stated objective to increase spend on programming.

v) There has been additional marketing spend in the year to support the launch of BBC Three and the digital radio networks, and to promote digital television services, including Freeview.

vi) Overheads include the central costs of accommodation, technology, finance and human resources.

vii) Licence fee collection costs were unusually low in 2002 due to a number of one-off events such as the rebate from Consignia for non-performance of contractual obligations. Under the new contractor, charges in 2003 have returned to their normal levels (collection costs in 2001 were £131.9million).

viii) Of the transmission costs, £73.2million relate to analogue services and £68.5million to digital services.

BBC World Service expenditure excludes expenditure spent on intra-Group activities.

2c BBC World Service expenditure

	2003 £m	2002 £m
Radio	149.8	142.1
Monitoring	22.4	22.6
Transmission costs	33.2	30.6
Internet activity	10.4	9.3
	215.8	204.6

The expenditure shown for Commercial Businesses relates only to external income and excludes expenditure relating to sales within the BBC.

2d Commercial Businesses' expenditure

	2003 £m	2002 £m
Cost of sales	314.8	323.4
Distribution costs	133.4	147.0
Administrative and other costs	50.3	41.3
Amortisation of programme investment	88.4	86.4
	586.9	598.1

3 Operating deficit

The operating deficit is stated after charging the following items:	2003 £m	2002 £m
Payments under operating leases		
– land and buildings	28.8	26.4
– plant and machinery	6.5	9.6
– other	14.0	18.4
Research and development	17.0	15.2
Programme development	30.6	23.7
Depreciation		
– owned assets	126.5	121.8
– leased assets	10.8	10.9
Loss on disposal of tangible fixed assets	4.5	1.4
Amortisation of investment in programmes for future sale	88.4	86.4
Amortisation of intangible fixed assets	4.5	1.4

3 Operating deficit *continued*

	2003 £m	2002 £m
Auditors' remuneration (KPMG LLP)		
– financial audit – UK Public Service Broadcasting	0.6	0.4
– other	0.5	0.5
– further assurance services	0.6	0.3
– tax advisory services	0.2	0.2
– other non-audit services	0.3	0.2
Fair trading auditors' remuneration (PricewaterhouseCoopers LLP)	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	
	2003 Number	2002 Number
UK Public Service Broadcasting	19,206	18,606
BBC World Service	2,057	1,797
Commercial Businesses	5,885	5,165
Group total	27,148	25,568

Within the averages above 2,628 (2002 2,166) part-time employees have been included at their full-time equivalent of 1,324 (2002 1,238).

In addition to the above, the Group employed an average full-time equivalent of 1,117 (2002 1,043) persons on a casual basis and the BBC Orchestra and Singers, employed on programme contracts, numbered 385 (2002 382) full-time equivalents.

On 2 April 2002 the equivalent of 762 full-time employees transferred to BBC Broadcast Limited from UK Public Service Broadcasting. This transfer is not reflected in the average for 2002.

4b Staff costs

	Note	2003 £m	2002 £m
Salaries and wages		988.4	895.1
Social security costs		83.0	77.9
Pension costs			
– main scheme (defined benefit)	8a	169.7	177.2
– other schemes	8c	2.0	2.3
Redundancy costs		22.6	29.6
		1,265.7	1,182.1
Comprising:			
UK Public Service Broadcasting		804.2	758.3
BBC World Service		73.2	65.4
Commercial Businesses		251.8	206.9
Main pension scheme additional operating cost (defined benefit)*		136.5	151.5
		1,265.7	1,182.1

* 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 76 to 79 in the Governors' remuneration report.

5 (Loss)/profit on sale and termination of operations

	2003 £m	2002 £m
beeb Ventures Limited		
– partial disposal	–	9.0
– termination cost	(1.5)	(1.3)
Wood Norton Hall and Conference Centre	1.1	–
	(0.4)	7.7

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 together with beeb.net have been integrated into BBC Worldwide's core operations. Following this decision a review of the carrying value of beeb Ventures Limited's fixed assets at 31 March 2002 took place and gave rise to a write-down of £1.3million being charged to the income and expenditure account in 2002. During the year ended 31 March 2003 redundancy and other closure costs totalling £1.5million have been charged to the income and expenditure account.

On 31 May 2002, the Group sold its Wood Norton Hall and Conference Centre business to a third party for a consideration of £5.1million. The profit on sale was £1.1million after deducting the costs of the disposal.

6 (Loss)/profit on disposal of fixed assets

	2003 £m	2002 £m
(Loss)/profit on disposal of tangible fixed assets	(14.3)	1.0
Profit on disposal of investments	–	3.4
Profit on disposal of intangible assets	–	7.3
	(14.3)	11.7

During 2003 the Group started redevelopment of its Broadcasting House site, which included the demolition of two properties adjacent to Broadcasting House. The net book value of assets taken out of use, totalling £13.0million, has been charged to the income and expenditure account.

BBC Technology disposed of various fixed assets resulting in a loss of £1.3million during the year.

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 TFI, a French broadcasting company, resulting in a net profit on disposal of investments of £3.4million. The Group also disposed of its remaining rights and trademarks to certain non-core brands which gave rise to a net profit of £7.3million.

7 Net interest receivable and other similar items

	2003 £m	2002 £m
Interest receivable	7.5	24.6
Interest payable on bank and other loans	(2.0)	(2.8)
Finance charges payable in respect of finance leases	(0.4)	(0.2)
Net interest receivable	5.1	21.6

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 the Group Personal Pension Scheme and other small schemes are defined contribution schemes. The total pension charges for the year were:

	Operating cost 2003 £m	Net finance income 2003 £m	Net cost 2003 £m	Operating cost 2002 £m	Net finance income 2002 £m	Net cost 2002 £m
BBC Pension Scheme (Note 8b) Unfunded defined benefit schemes (Note 8c)	169.7	(114.6)	55.1	177.2	(133.9)	43.3
Defined contribution schemes (Note 8c)	1.8	–	1.8	2.1	–	2.1
Total cost /(credit)	171.7	(114.3)	57.4	179.5	(133.9)	45.6

Under this scheme the employees receive a pension based on their final salary.

The actuarial valuation takes into account future investment returns and provides a longer-term view of the state of the scheme than the 'snap-shot' FRS 17 valuation.

The market valuation provides a 'snap-shot' at the balance sheet date. It is very volatile and can fluctuate widely from day to day.

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

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.

Actuarial valuation

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 the 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 at 1 April 2002 by Watson Wyatt, consulting actuaries, using the projected unit method. The actuarial valuation showed a surplus of £441 million (down from £611 million in 1999) and the actuarial value of the assets was sufficient to cover 109% of the benefits due to members after allowing for expected future increases in earnings.

The income to the pension scheme exceeds its cash outgoings each year and long-term performance measures show the scheme to be adequately funded and so employer contributions have remained steady for a number of years. However, in view of the recent short-term volatility of the stock market, it has been agreed with the trustees that employer contributions will rise by 0.5% a year for three years from the current 4.5% of pensionable pay, with the first 0.5% increase taking effect from 1 April 2003. In addition, the employee contributions will rise 0.5% per year from 4.5% to 6% over the three-year period commencing 1 April 2004.

Market valuations

Watson Wyatt produces an interim valuation each year based on market values of the scheme assets and liabilities, as required by FRS 17.

Financial assumptions in scheme valuation

The major assumptions used by the actuary at each valuation were:

	2003	2002	2001
Rate of increase in salaries	4.5%	4.7%	4.5%
Rate of increase in pension payments	2.5%	2.7%	2.5%
Inflation assumption	2.5%	2.7%	2.5%
Discount rate	5.4%	6.0%	6.0%

Notes to the financial statements

This table shows the value of the assets owned by the pension scheme and the rate of growth that the trustees expect over time.

8 Pensions *continued*

The assets in the scheme and the expected rates of return from those assets were:

	Long-term rate of return expected at 31 March 2003	Value at 31 March 2003 £m	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
Equities	8.3%	3,032	7.5%	4,421	7.0%	4,655
Bonds and gilts	4.5%	1,021	5.2%	908	4.7%	939
Property	6.4%	620	6.3%	606	6.0%	606
Cash	4.0%	230	4.7%	284	4.5%	279
Total market value of assets		4,903		6,219		6,479
Present value of scheme liabilities		(5,973)		(5,254)		(4,771)
(Deficit)/surplus in the scheme		(1,070)		965		1,708
Related deferred tax asset/(liability)		-		-		-
Net pension (liability)/asset		(1,070)		965		1,708

A deferred tax asset or liability will not arise for the Group because most of the Group's public service activity is not subject to taxation.

Movement in surplus during the year

	2003 £m	2002 £m
Surplus in scheme at beginning of year	965.0	1,708.0
Movement in year		
– contributions	33.4	25.7
– current service cost	(155.7)	(132.3)
– past service costs	(14.0)	(44.9)
– other finance income	114.6	133.9
– actuarial loss	(2,013.4)	(725.4)
(Deficit)/surplus in scheme at end of year	(1,070.1)	965.0

Analysis of amount charged to operating expenditure

	2003 £m	2002 £m
Current service cost	155.7	132.3
Past service cost	14.0	44.9
Total operating charge	169.7	177.2

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.

Analysis of amount credited to other finance income

	2003 £m	2002 £m
Expected return on pension scheme assets	424.0	416.4
Interest on pension scheme liabilities	(309.4)	(282.5)
Net return	114.6	133.9

8 Pensions *continued*

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.

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

Analysis of amount recognised in statement of total recognised gains and losses

	2003 £m	2002 £m
Actual return less expected return on pension scheme assets	(1,607.9)	(532.0)
Experience gains and (losses) arising on the scheme's liabilities	(12.4)	26.6
Changes in assumptions underlying the present value of the scheme liabilities	(393.1)	(220.0)
Actuarial loss recognised in statement of total recognised gains and losses	(2,013.4)	(725.4)

History of experience gains and losses

	2003	2002	2001
Difference between the expected and actual return on scheme assets:			
Amount (£million)	1,607.9	532.0	950.9
Percentage of scheme assets	32.8%	8.6%	14.7%
Experience gains and (losses) on scheme liabilities:			
Amount (£million)	12.4	(26.6)	(35.7)
Percentage of the present value of the scheme liabilities	0.2%	0.5%	0.7%
Total amount recognised in the statement of total recognised gains and (losses):			
Amount (£million)	(2,013.4)	(725.4)	(708.2)
Percentage of the present value of the scheme liabilities	33.7%	13.8%	14.8%

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 2003 the obligation was £4.4million (2002 £3.9million) which is fully provided for in the accounts. The current cost for the year for this scheme was £0.5million (2002 £0.2million) of which £0.2million (2002 £0.2million) was charged to operating costs and £0.3million (2002 £nil) as interest on pension liabilities.

The total charge for the Group personal pension scheme and other defined contribution schemes totalled £1.8million (2002 £2.1million).

8d UK Public Service Broadcasting

UK Public Service Broadcasting has taken advantage of the provisions within FRS 17 and accounts for the scheme as if it were a defined contribution scheme. This is because it is not possible to identify its share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. The expenditure charge for UK Public Service Broadcasting therefore represents the contributions payable in the year. These contributions are set based on the funding needs identified from the actuarial valuation and benefit from the actuarial surplus. They are therefore lower than the regular cost.

Notes to the financial statements

9 Taxation

9a Analysis of charges for the period

The charge for the year, based on the rate of corporation tax of 30% (2002 30%) comprised:

	Note	2003 £m	2002 £m
Current tax			
UK corporation tax		17.7	12.7
Deduct: double tax relief		(3.5)	(2.9)
		14.2	9.8
Adjustments in respect of prior years			
		(3.0)	–
		11.2	9.8
Foreign tax		5.4	7.6
Share of associates tax		1.1	0.3
Total current tax	9b	17.7	17.7
Deferred tax			
Origination and reversal of timing differences		–	2.8
Adjustments in respect of previous years		(2.0)	(2.8)
Total deferred tax	9d	(2.0)	–
Total charge for the year		15.7	17.7

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	2003 £m	2002 £m
(Deficit)/surplus before tax		(299.0)	2.9
(Deficit)/surplus before tax multiplied by standard rate of corporation tax in the UK of 30% (2002 30%)		(89.7)	0.9
Effects of			
UK Public Service Broadcasting taxable external income		5.7	6.5
Non-taxable loss in UK Public Service Broadcasting		95.4	–
FRS 17 net Group pension charge		6.7	5.2
Commercial activities			
Non-taxable income		(0.4)	(3.9)
Disallowed expenditure		1.6	1.6
Depreciation in excess of capital allowances		–	1.8
Tax losses not Group relieved		–	1.4
Tax differential re overseas earnings		1.8	4.4
Other		(0.4)	(0.2)
Adjustments in respect of previous periods		(3.0)	–
Current tax charge for the year	9a	17.7	17.7

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

Movement on deferred tax provision/(asset) in the year	Note	2003 £m	2002 £m
Provision at start of year		–	–
Exchange adjustment		0.5	–
Deferred tax credit	9a	(2.0)	–
Deferred tax asset at end of year		(1.5)	–
Analysis of deferred tax asset /(liability) at end of year*			
Accelerated capital allowances		(4.1)	1.5
Other timing differences		–	0.8
US timing differences		5.6	1.8
		1.5	4.1

* In 2002 the deferred tax asset of £4.1 million was not recognised

10 Intangible fixed assets

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 schemes.

	Intellectual property rights £m	Goodwill £m	Total £m
Cost			
At 1 April 2002	8.7	8.1	16.8
Additions	4.7	0.1	4.8
At 31 March 2003	13.4	8.2	21.6
Amortisation			
At 1 April 2002	1.1	0.3	1.4
Charge for the year	4.0	0.5	4.5
At 31 March 2003	5.1	0.8	5.9
Net book value			
At 31 March 2003	8.3	7.4	15.7
At 31 March 2002	7.6	7.8	15.4

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

The £4.7million additions within intellectual property rights relate to the acquisition of software licences by BBC Technology. These are amortised on a straight line basis over the life of the licence.

On 28 February 2003 BBC Worldwide acquired 100% of the share capital of Parentwise Limited for a nominal amount. The company had net liabilities of £0.1million and goodwill of £0.1million has arisen on the transaction.

There was no difference between the book value, as recorded in the records of Parentwise Limited prior to the acquisition, and the fair value of the assets acquired.

Notes to the financial statements

11 Tangible fixed assets

11a 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 2002	457.9	876.3	122.4	106.4	1,563.0
Additions	3.8	80.5	8.0	114.8	207.1
Brought into service	9.3	60.9	3.6	(73.8)	–
Disposals	(16.4)	(37.0)	(7.9)	(2.3)	(63.6)
At 31 March 2003	454.6	980.7	126.1	145.1	1,706.5
Depreciation					
At 1 April 2002	199.0	540.1	63.1	–	802.2
Charge for the year	15.5	109.8	12.0	–	137.3
Elimination in respect of disposals	(6.0)	(25.2)	(4.7)	–	(35.9)
At 31 March 2003	208.5	624.7	70.4	–	903.6
Net book value					
At 31 March 2003	246.1	356.0	55.7	145.1	802.9
At 31 March 2002	258.9	336.2	59.3	106.4	760.8

Included within plant and machinery are £16.4million (2002 £19.6million) of assets held under finance leases.

One of the BBC's joint venture partners, Crown Castle UK Limited, has a charge of £3.0million over the assets of BBC Technology Group.

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 rights to repurchase the assets, should the operation cease, for a similar nominal sum. The use of these assets is not affected by this transaction and therefore they will continue to be carried at cost less attributable depreciation in the balance sheet.

11b UK Public Service Broadcasting

	Land and buildings £m	Plant and machinery £m	Furniture and fittings £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2002	400.0	429.4	93.3	55.1	977.8
Additions	2.6	39.2	6.9	83.9	132.6
Brought into service	3.9	25.2	3.0	(32.1)	–
Transfers (to)/from subsidiaries	–	(30.4)	–	0.6	(29.8)
Disposals	(16.2)	(14.8)	(6.2)	(1.6)	(38.8)
At 31 March 2003	390.3	448.6	97.0	105.9	1,041.8
Depreciation					
At 1 April 2002	168.2	247.5	41.3	–	457.0
Charge for the year	12.7	43.2	9.4	–	65.3
Transfers to subsidiaries	(0.2)	(16.2)	–	–	(16.4)
Elimination in respect of disposals	(6.0)	(9.1)	(3.2)	–	(18.3)
At 31 March 2003	174.7	265.4	47.5	–	487.6
Net book value					
At 31 March 2003	215.6	183.2	49.5	105.9	554.2
At 31 March 2002	231.8	181.9	52.0	55.1	520.8

11b UK Public Service Broadcasting *continued*

Included within plant and machinery are £6.7million (2002 £19.8million) of assets held under finance leases with another Group company.

The increase in assets under construction relates to the property investment programme currently under way (see Financial review pages 82 to 84).

11c Land and buildings at net book value comprise:

	Group 2003 £m	Group 2002 £m	UK Public Service Broadcasting 2003 £m	UK Public Service Broadcasting 2002 £m
Freeholds	208.9	226.0	193.4	210.1
Long leaseholds	9.9	9.9	9.9	9.9
Short leaseholds	27.3	23.0	12.3	11.8
	246.1	258.9	215.6	231.8

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 £35.0million (2002 £34.8million) and in the UK Public Service Broadcasting operations of £30.8million (2002 £30.6million), none of which is depreciated.

12 Investment in programmes for future sale

	Group £m
Cost	
At 1 April 2002	323.8
Exchange adjustment	(12.7)
Additions	86.7
Financing benefit	(0.4)
Elimination of programmes fully amortised	(76.0)
At 31 March 2003	321.4
Amortisation	
At 1 April 2002	212.0
Exchange adjustment	(11.3)
Charge for the year	88.4
Elimination of programmes fully amortised	(76.0)
At 31 March 2003	213.1
Net book value	
At 31 March 2003	108.3
At 31 March 2002	111.8

Investment by BBC Worldwide in programmes for future sale relates to programmes provided by the BBC and external producers. The additions figure above includes £82.7million direct investment in BBC programmes (2002 £80.5million).

Included in the net book value is £4.5million (2002 £4.2million) relating to investments held under a licence agreement. The financing benefit relates to monies received for tax credits on investments in sale and leaseback programmes.

13 Other investments (including BBC World Service net assets)

13a Movements in the year for the Group

	Interests in joint ventures (Note 13d) £m	Interests in associates (Note 13e) £m	Other investments £m	Total Group £m
At 1 April 2002	11.5	4.9	0.4	16.8
Additions	1.2	–	–	1.2
Disposals	–	(0.2)	–	(0.2)
Exchange adjustment	–	0.2	–	0.2
Provision against investments	–	(0.4)	(0.4)	(0.8)
Share of retained profits/(losses)	5.2	(24.8)	–	(19.6)
Dividend received	–	(1.3)	–	(1.3)
Adjustment to reflect effective obligations	(4.8)	26.3	–	21.5
At 31 March 2003	13.1	4.7	–	17.8

13b Movements in the year for UK Public Service Broadcasting

	Interest in BBC World Service net assets £m	Shares in subsidiaries £m	Interests in joint ventures £m	Other investments £m	Total £m
At 1 April 2002	134.3	155.3	9.2	0.4	299.2
Accumulated surplus	8.5	–	–	–	8.5
Additions	–	83.3	1.0	–	84.3
Disposals	–	(73.3)	–	(0.4)	(73.7)
At 31 March 2003	142.8	165.3	10.2	–	318.3

Additions to shares in subsidiaries include 10,000,000 ordinary shares issued at £1 each on 2 April 2002 to enable BBC Broadcast to finance the acquisition of the business from the BBC.

Disposals in shares in subsidiaries relates to the transfer of investments in BBC Technology of £63.0million, BBC Broadcast of £10.0million, and BBC Worldwide of £0.3million to the BBC Commercial Holdings Group. In consideration BBC Commercial Holdings issued 73,250,000 ordinary shares at £1 each which were fully subscribed for by UK Public Service Broadcasting.

Subsidiary undertakings are businesses the BBC controls.

13c Subsidiary undertakings

UK Public Service Broadcasting operation owns 100% of the issued share capital of the following companies which are incorporated in Great Britain:

BBC Commercial Holdings Limited
 BBC Resources Limited
 BBC Free To View Limited
 BBC News Limited
 BBC Property Limited
 BBC Property Investments Limited
 BBC Property Development Limited (dormant)
 Centre House Productions Limited
 BBC Digital Programme Services Limited
 BBC Subscription Television Limited (dormant)
 BBC Investments Limited (dormant)

13c Subsidiary undertakings *continued*

The Group also holds the controlling interest in the following principal subsidiary undertakings which are held by BBC World Service which owns 100% of the issued share capital:

Held by BBC World Service:

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

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

The Group also holds the controlling interest in the following subsidiaries, which unless otherwise stated are incorporated in Great Britain:

	Holding of ordinary shares %
<hr/>	
Held by BBC Commercial Holdings Limited:	
BBC Worldwide Limited	100
BBC World Limited	100
BBC Ventures Group Limited	100
Held by BBC Ventures Group Limited:	
BBC Technology Holdings Limited	100
BBC Broadcast Limited	100
Held by BBC Technology Holdings Limited:	
BBC Technology Limited	100
BBC Technology Services Limited	100
BBC Technology Supply Limited	100
Kingswood Warren Ventures Limited (renamed BBC Vecta Limited in May 2003)	100
BBC Technology Holdings LLC (incorporated in the USA)	100
BBC Technology Consultancy LLC (incorporated in the USA)	100
Held by BBC Worldwide Limited:	
Publishing	
BBC Magazines Inc. (incorporated in the USA)	100
Galleon Limited	100
Broadcasting Dataservices Limited	75
Cover to Cover Cassettes Limited	100
BBC Audiobooks Limited (formerly Chivers Press Limited)	100
Programme distribution	
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 Canada Limited (incorporated in Canada)	100
Channels	
New Video Channel America LLC (incorporated in the USA)	100
European Channel Broadcasting Limited	100
European Channel Management Limited	100

Notes to the financial statements

13c Subsidiary undertakings *continued*

	Holding of ordinary shares %
Investment companies	
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 (Ontario) Limited (incorporated in Canada)	100
Internet	
beeb Ventures Limited	86.9
Held by BBC World Limited:	
BBC World Distribution Limited	100
Satellite News Corporation Limited (incorporated in Japan and renamed BBC World Distribution Japan Limited in April 2003)	100
BBC World (Singapore) Private Limited (incorporated in Singapore)	100
BBC World (Australia) Pty Limited (incorporated in Australia)	100
BBC Worldwide (India) Private Limited (incorporated in India)*	75

* BBC Worldwide Limited holds the remaining 25% interest in the ordinary shares of this company

Joint ventures are businesses the BBC jointly controls with other parties.

13d Interests in joint ventures

The Group has a 50% equity interest in the following joint ventures which are all incorporated in the UK, unless otherwise stated:

Name of entity	Activity	Partner	Accounting date
UK Channel Management Limited	Channels	Flextech	31 December 2002
UK Gold Holdings Limited	Channels	Flextech	31 December 2002
UKTV New Ventures Limited	Channels	Flextech	31 December 2002
UKTV Interactive Limited	Channels	Flextech	31 December 2002
JV Programmes LLC†	Channels	Discovery Communications Inc.	31 December 2002
BBC Haymarket Exhibitions Limited	Publishing	Haymarket Exhibitions Limited	31 December 2002
Insight Property Partnership	Property	Land Securities Trillium Limited	31 March 2003
DTV Services Limited*	Marketing	Crown Castle UK Limited, British Sky Broadcasting Limited	Six months to 31 March 2003

† Incorporated in the USA

* 33% equity interest

During the year the BBC entered into a new joint venture, DTV Services Limited, to provide marketing services for digital channels on a terrestrial platform in the UK. The BBC set up a subsidiary, BBC Free to View Limited (see Note 13c), to hold the BBC's digital terrestrial multiplex licence and its equity interest in the joint venture to ensure the costs of this joint venture are managed separately from licence fee funded activities.

For a number of years the BBC, through its subsidiary BBC Worldwide, has had 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. for incorporating new channels around the world and providing new co-production funding for programmes. These alliances operate the joint ventures listed above.

The Group share of turnover for the Haymarket joint venture was £4.2million (2002 £6.4million) and its operating surplus share was £0.7million (2002 £0.3 million).

The joint venture with Land Securities Trillium Limited provides a range of property and development services to the BBC. Related joint ventures and associate companies have been set up to develop particular BBC properties.

The following disclosures represent the Group's equity shares of the assets and liabilities of its joint ventures based on the results for the latest accounting periods as shown above.

13d Interests in joint ventures *continued*

BBC Group share of:	UK Gold Holdings Limited* £m	UK Channel Management Limited* £m	Other joint ventures* £m	Total joint ventures £m
2003				
Turnover	31.7	28.6	19.7	80.0
Profit/(loss) before tax	9.5	0.3	(1.0)	8.8
Taxation	(2.7)	–	(0.9)	(3.6)
Profit/(loss) after tax	6.8	0.3	(1.9)	5.2
Fixed assets	–	–	2.3	2.3
Goodwill	–	–	10.2	10.2
Current assets	14.3	27.6	19.4	61.3
Liabilities less than one year	(10.3)	(3.5)	(13.0)	(26.8)
Liabilities more than one year	(38.5)	(46.8)	(11.5)	(96.8)
Adjustment to reflect effective obligations	34.5	22.7	5.7	62.9
Net book value	–	–	13.1	13.1
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

*The figures for 2003 are based on unaudited financial statements (2002 unaudited)

Under the terms of the agreement 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 2003 (2002 £nil). The Group is entitled to its share of any profits or net assets once the ventures' cumulative profits exceed cumulative losses since incorporation.

Notes to the financial statements

Associates are businesses over which the BBC exerts significant influence but does not have overall control.

13e 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 UK Public Service Broadcasting:	
Parliamentary Broadcasting Unit Limited	33
Broadcasters Audience Research Board Limited	*
The Commonwealth Broadcasting Association	*
Radio Joint Audience Research Limited (RAJAR)	50
Held by BBC World Service:	
Caribbean Relay Company Limited (incorporated in Antigua)	45
Multimedia Ventures Limited	50
WRG-FM SA (incorporated in Switzerland)	40
Held by BBC Worldwide Limited:	
Publishing	
Frontline Limited	23
Channels	
UKTV 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
The Animal Planet Europe Partnership†	50
Animal Planet Japan KK (incorporated in Japan)†	33
Animal Planet Japan LLP (incorporated in the USA)†	50
Jasper Broadcasting Inc. (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 associate

** 50% partnership share

13e Interests in associates *continued*

The following additional disclosures are based on the results of the Discovery associates for the year ended 31 December 2002 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	2003 £m	2002 £m
Share of turnover	37.5	39.1
Share of fixed assets	51.0	61.4
Share of current assets	14.7	23.9
Share of liabilities due within one year	(16.4)	(22.3)
Share of liabilities due after more than one year	(114.5)	(104.9)
Adjustment to reflect effective obligation	69.9	46.8
Net interests in associates	4.7	4.9

The results include the Group share of the operating profit of UKTV Pty Limited of £0.2million (2002 £0.1million) and Frontline Limited of £2.0million (2002 £1.0million). Both are accounted for separately from the Discovery associates. The Group's share of the remaining associates, including Jasper Broadcasting Inc. and Jasper Junior Broadcasting Inc., operated in partnership with Alliance Atlantis, was £nil (2002 £nil).

Under the terms of the agreements with Discovery and Alliance Atlantis, 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 2003 (2002 £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.

14 Stocks

	Group 2003 £m	Group 2002 £m	UK Public Service Broadcasting 2003 £m	UK Public Service Broadcasting 2002 £m
Raw materials	4.2	2.4	–	–
Work in progress				
– originated programmes	245.2	254.5	245.1	254.5
– other	7.3	6.6	–	0.1
Finished programmes				
– acquired programmes and films	97.2	89.0	97.2	89.0
– originated programmes	94.9	80.7	94.9	80.7
Other	20.1	16.2	0.5	1.0
Total	468.9	449.4	437.7	425.3

Notes to the financial statements

15 Debtors

	Group 2003 £m	Group 2002 £m	UK Public Service Broadcasting 2003 £m	UK Public Service Broadcasting 2002 £m
Receivable within one year				
Trade debtors	142.6	146.4	21.9	27.5
Department for Culture, Media and Sport – licence fee debtors	254.3	255.5	254.3	255.5
Amounts owed by subsidiaries	–	–	56.0	58.1
Amounts owed by associates and joint ventures	4.9	9.2	–	–
VAT recoverable	38.0	39.6	34.1	30.7
Other debtors	22.7	36.4	5.6	14.2
Corporation tax	–	0.6	–	0.7
Prepayments	143.0	175.9	115.4	156.1
	605.5	663.6	487.3	542.8
Receivable after more than one year				
Trade debtors	–	0.2	–	0.2
Other debtors	6.9	–	–	–
Prepayments	151.7	137.0	131.8	113.6
	158.6	137.2	131.8	113.8
Total	764.1	800.8	619.1	656.6

The prepayments receivable after more than one year include an amount in respect of the White City building which is leased from the partnership between the BBC and Land Securities Trillium. This is being released over the term of the lease.

16 Creditors

16a 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 2003 was 44 days (2002 52 days).

16b Amounts falling due within one year

	Note	Group 2003 £m	Group 2002 £m	UK Public Service Broadcasting 2003 £m	UK Public Service Broadcasting 2002 £m
Bank overdrafts and other loans	23				
Bank overdrafts		70.7	–	70.7	60.9
Bank and other loans		0.9	–	–	–
Unsecured loan notes		1.7	1.9	–	–
		73.3	1.9	70.7	60.9
Payments received on account		–	2.2	–	–
Trade creditors					
Programme creditors		76.2	75.9	72.6	75.5
Programme acquisitions		35.4	44.0	35.0	44.0
Salaries and wages		48.6	29.0	27.2	18.2
Residual copyright payments		41.8	56.5	–	–
Other trade creditors		164.5	178.9	104.5	121.7
		366.5	384.3	239.3	259.4
Other creditors					
Corporation tax		3.1	–	1.3	–
Other taxation and social security		32.6	41.0	25.8	24.6
Amounts owed to subsidiaries		–	–	69.2	57.9
Amounts owed to associates and joint ventures		0.7	1.7	–	–
Obligations under finance leases		8.8	7.2	–	–
Amounts owed to subsidiaries in respect of finance leases		–	–	1.9	10.1
		45.2	49.9	98.2	92.6
Accruals and deferred income					
Accruals and deferred income		327.4	302.4	266.6	224.5
Licence savings stamps deposits and direct debit instalments		108.1	130.5	108.1	130.5
		435.5	432.9	374.7	355.0
Total		920.5	871.2	782.9	767.9

16c Amounts falling due after more than one year

	Note	Group 2003 £m	Group 2002 £m	UK Public Service Broadcasting 2003 £m	UK Public Service Broadcasting 2002 £m
Bank and other loans	23	87.2	29.4	–	–
Trade creditors					
Programme acquisitions		33.1	36.4	33.1	36.4
Other trade creditors		–	2.9	–	–
		33.1	39.3	33.1	36.4
Other creditors					
Obligations under finance leases	23	39.1	33.8	–	–
Amounts owed to subsidiaries		–	–	18.3	–
Amounts owed to subsidiaries in respect of finance leases	23	–	–	4.8	9.7
		39.1	33.8	23.1	9.7
Total		159.4	102.5	56.2	46.1

Notes to the financial statements

17 Provisions for liabilities and charges

Group	At 1 April 2002 £m	Utilised during the year £m	Released during the year £m	Charge for the year £m	At 31 March 2003 £m
Licence fee	24.9	(20.9)	(1.5)	19.8	22.3
Restructuring	14.1	(8.3)	(3.9)	5.2	7.1
Litigation and insurance	14.6	(2.9)	(2.5)	5.6	14.8
Property	10.5	–	–	2.4	12.9
Other	18.5	(9.6)	(16.4)	22.4	14.9
Total	82.6	(41.7)	(24.3)	55.4	72.0

Property provisions include BBC World Service's liability of £3.6million (2002 £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.

UK Public Service Broadcasting	At 1 April 2002 £m	Utilised during the year £m	Released during the year £m	Charge for the year £m	At 31 March 2003 £m
Licence fee	24.9	(20.9)	(1.5)	19.8	22.3
Restructuring	11.9	(7.3)	(2.7)	4.0	5.9
Litigation and insurance	14.6	(2.9)	(2.5)	5.6	14.8
Property	6.9	–	–	2.4	9.3
Other	16.3	(9.6)	(12.5)	17.8	12.0
Total	74.6	(40.7)	(19.2)	49.6	64.3

18 Reserves

Group	Operating reserve excluding pension reserve £m	Pension reserve £m	Total operating reserve £m	Capital reserve £m	Revaluation reserve £m	Total £m
At 1 April 2002	646.2	961.1	1,607.3	802.6	6.4	2,416.3
Exchange adjustments	(3.1)	–	(3.1)	–	–	(3.1)
Deficit for financial year	(314.6)	–	(314.6)	–	–	(314.6)
Actuarial loss on defined benefit pension schemes	–	(2,013.4)	(2,013.4)	–	–	(2,013.4)
Revaluation reserve transfer	0.8	–	0.8	–	(0.8)	–
Pension reserve transfer	22.2	(22.2)	–	–	–	–
Capital reserve transfer	(55.5)	–	(55.5)	55.5	–	–
At 31 March 2003	296.0	(1,074.5)	(778.5)	858.1	5.6	85.2
Represented by:						
General Group reserves	287.2	(1,074.5)	(787.3)	729.7	–	(57.6)
BBC World Service reserves	8.8	–	8.8	128.4	5.6	142.8
	296.0	(1,074.5)	(778.5)	858.1	5.6	85.2

The UK Public Service Broadcasting operations and BBC World Service are funded from different sources.

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

Under the accounting standard FRS 10, *Goodwill and intangible assets*, any newly arising goodwill must be capitalised and amortised over its useful life. As is permitted by the standard, goodwill arising in periods prior to 1999 of £6.8million (2002 £6.8million) remains offset against the operating reserve.

18 Reserves *continued*

	Operating reserve £m	Capital reserve £m	Revaluation reserve £m	Total £m
UK Public Service Broadcasting				
At 1 April 2002	561.1	802.6	6.4	1,370.1
Deficit for financial year	(303.4)	–	–	(303.4)
Revaluation reserve transfer	0.8	–	(0.8)	–
Capital reserve transfer	(55.5)	55.5	–	–
At 31 March 2003	203.0	858.1	5.6	1,066.7
Represented by:				
UK Public Service Broadcasting reserves	194.2	729.7	–	923.9
BBC World Service reserves	8.8	128.4	5.6	142.8
	203.0	858.1	5.6	1,066.7

19 Reconciliation of Group operating deficit to net cash (outflow)/inflow from operating activities

	2003 £m	2002 £m
Group operating deficit	(406.6)	(173.4)
Depreciation and amortisation	230.2	220.5
Pension schemes operating costs (non-cash)	136.5	151.5
Loss on disposal of tangible fixed assets	4.5	1.4
Increase in stocks	(19.5)	(51.8)
Decrease/(increase) in debtors	37.3	(43.3)
(Decrease)/increase in creditors	(36.0)	83.2
(Decrease)/increase in provisions	(14.7)	29.4
Net cash (outflow)/inflow from operating activities	(68.3)	217.5

20 Analysis of changes in net funds/(debt)

	At 1 April 2002 £m	Cash flows £m	Non-cash movements £m	At 31 March 2003 £m
Net cash				
Bank overdrafts	–	(70.7)	–	(70.7)
Cash at bank and in hand	0.3	69.2	–	69.5
	0.3	(1.5)	–	(1.2)
Liquid resources				
Short-term investments	356.8	(291.9)	–	64.9
Gross funds	357.1	(293.4)	–	63.7
Debt:				
Loans from third parties	(29.4)	(59.1)	0.4	(88.1)
Unsecured loan notes	(1.9)	0.5	(0.3)	(1.7)
Finance leases	(41.0)	21.4	(28.3)	(47.9)
Net funds/(debt)	284.8	(330.6)	(28.2)	(74.0)

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.

Notes to the financial statements

21 Reconciliation of net cash flow to movement in net funds

	2003 £m	2002 £m
Decrease in cash in year	(1.5)	(95.6)
Net cash (inflow)/outflow from management of liquid resources	(291.9)	88.4
Net cash inflow from increase in loans and finance leases	(37.2)	(10.3)
Change in net funds resulting from cash flows	(330.6)	(17.5)
Non-cash movement on loans	0.1	(1.9)
Increase in finance leases	(28.3)	(30.5)
Change in net funds	(358.8)	(49.9)
Net funds at the beginning of the year	284.8	334.7
Net (debt)/funds at the end of the year	(74.0)	284.8

22 Borrowing limits

When the Department for Culture, Media and Sport granted a new £350million borrowing limit for BBC Commercial Holdings Limited in July 2002, three financial covenants were defined which are required to be met as at 31 March each year. As at 31 March 2003 BBC Commercial Holdings Group was in compliance with each of these covenants.

Of the £350million commercial limit, only £210million is currently available to the commercial operations until BBC Resources Limited is transferred into the group headed by BBC Commercial Holdings Limited. This is required to take place before 30 September 2003.

The Public Services borrowing limit is set within the BBC Charter:

	2003 £m	2002 £m
Public Services		
Gross borrowing limit	200.0	200.0
Borrowings		
Bank overdrafts	70.7	60.9
Finance leases*	6.7	19.8
	77.4	80.7
Licence savings stamps deposits and direct debit instalments to extent not covered by cash and liquid resources**		
Licence savings stamps deposits and direct debit instalments	108.1	130.5
Less: short-term investments	(32.9)	(356.8)
Less: cash at bank and in hand	(20.4)	(11.4)
Amount not covered by cash and liquid resources	54.8	–
Gross borrowing	132.2	80.7

* Includes finance leases with commercial subsidiaries but excludes Centre House Productions finance leases

** The BBC must be able to repay these on demand and so to the extent that it does not hold cash reserves that match the liability, the balance is set against the borrowing limit

The Commercial Businesses' borrowing limit was set during 2003 by the Department for Culture, Media and Sport.

	2003 £m	2002 £m
Commercial Businesses		
Net borrowing limit	350.0	n/a
Loans from third parties	88.1	
Unsecured loan notes	1.7	
Finance leases	15.9	
Gross borrowing	105.7	
Less: Gross funds	(74.3)	
Net borrowing	31.4	

23 Financial instruments

23a Treasury management and financial instruments

The Group's treasury operations are managed by a group treasury function within parameters defined formally within the policies and procedures manual agreed by the Executive Committee. Group Treasury's activity is routinely reported to the Executive Committee and Board of Governors and is subject to review by internal and external auditors.

Group Treasury uses financial instruments to raise finance and to manage financial risk arising from its operations in accordance with its objectives which are:

- to ensure the business of the BBC, both Public Services and Commercial, is fully funded in the most efficient manner and remains compliant with borrowing limits
- to maximise the return on surplus funds, whilst ensuring sufficient cash is retained to meet foreseeable liquidity requirements
- to protect the value of the BBC's assets, liabilities and cash flows from the effects of adverse interest rates and foreign exchange fluctuations

The Group's financial instruments, other than those used for treasury risk management purposes, comprise cash and liquid resources, borrowings and various items such as trade debtors and creditors that arise directly from its operations. The Group finances its operations from these financial instruments. The main risks to be managed in this are ensuring that the Group has sufficient liquid funds to meet its obligations as they fall due and that it is compliant with its borrowing limits imposed by the Charter, by the Department for Culture, Media and Sport and by external loan covenants.

The Group also enters into limited foreign exchange and interest rate hedging transactions to manage its currency risk and interest rate risk. The Group is principally a domestic organisation with the majority of transactions and assets being in the UK and sterling based. However, the Group undertakes some transactions in currencies other than sterling and enters into forward currency contracts to manage this currency risk. Since March 2003 the Group has also entered into interest rate swaps to manage the interest rate risk now that it has a more significant level of loans.

The Group does not undertake speculative treasury transactions.

23b Cash and borrowing facilities

The Group invests short-term surplus cash in fixed rate investment products. Funds are invested only in organisations which have a minimum long-term rating of AA.

As at 31 March 2003 UK Public Service Broadcasting had available overdraft facilities of £13.2million and access to uncommitted bilateral money market lines totalling £45million. Interest is payable on the overdraft facility at a margin of 1% and on the money market facilities at between 0.125% and 0.5%.

BBC Commercial Holdings' loans comprise a £350million multicurrency revolving credit facility agreement repayable in full in March 2008. At 31 March 2003 £85million was drawn down. Interest is payable at LIBOR plus 0.375%, rising to LIBOR plus 0.45% once the facility is more than 50% utilised. Of the total amount £100million is available in the form of letters of credit to be issued in favour of the European Investment Bank to support its lending under the facilities detailed immediately below.

The European Investment Bank has made two loan facilities available to BBC Commercial Holdings. The first, for an amount of £66million, is available for drawing until March 2005 and must either be repaid in full as a single repayment by March 2013 or on an amortising basis by March 2015. The second, for £25million, is available for drawing until November 2003 and is repayable in one single instalment by November 2007. The interest rate applicable on both facilities is determined with reference to the European Investment Bank's own funding cost and carries no margin above this funding rate. At 31 March 2003 nothing was drawn down under either of these facilities.

Other loans include a US\$5million loan from Discovery (2002 US\$5million) which is repayable in the following stages: US\$1.5million due 31 March 2004; US\$3.5million due 31 March 2005. Interest is payable at LIBOR plus 1%.

In June 2003 a new £100million loan facility was put in place for UK Public Service Broadcasting which is available as either a revolving LIBOR-based loan or overdraft to May 2004 plus an option to extend the facility to May 2005. The facility bears interest at a margin of 0.2% and the overdraft facility bears interest at bank base rates plus 1%.

Notes to the financial statements

23b Cash and borrowing facilities *continued*

After the year end BBC Resources entered into a £50million revolving credit facility agreement which is repayable in full in September 2004. Interest is payable at LIBOR plus 0.375%.

23c Maturity of financial liabilities

The Group arranges its borrowings to meet forecast cash flows such that UK Public Service Broadcasting has access to sufficient funds to meet its commitments. Short-term flexibility is achieved by overdraft facilities.

The maturity profile of the Group's financial liabilities, other than short-term creditors, at 31 March was:

	Overdraft £m	Bank loans £m	Unsecured loan notes £m	Finance leases £m	Trade creditors £m	Total 2003 £m
2003						
Within one year	70.7	0.9	1.7	8.8	–	82.1
Between one and two years	–	2.2	–	5.0	18.2	25.4
Between two and five years	–	85.0	–	2.0	14.9	101.9
Greater than five years	–	–	–	32.1	–	32.1
	70.7	88.1	1.7	47.9	33.1	241.5
2002						
Within one year	–	–	1.9	7.2	–	9.1
Between one and two years	–	1.9	–	10.7	39.3	51.9
Between two and five years	–	27.5	–	2.3	–	29.8
Greater than five years	–	–	–	20.8	–	20.8
	–	29.4	1.9	41.0	39.3	111.6

Obligations under finance leases are in respect of computer hardware £15.9million (2002 £19.6million) and leases entered into by Centre House Productions Limited £32.0million (2002 £21.4million).

Centre House Productions Limited enters into finance leases as a means of financing drama productions which result in lower production costs for the BBC. These finance leases are matched by defeasance deposits which may only be used to settle the finance lease liabilities and therefore do not represent separate assets and liabilities. Consequently they are netted off the finance lease creditor to show the net unmatched liability at the year end. These defeasance deposits, £275.3million at 31 March 2003 (2002 £227.4million), are structured such that the principal on deposit and the interest earned will be sufficient to cover the rental obligations on the finance leases until the end of the lease. Accordingly it is not included as borrowing for the purposes of compliance with the BBC's borrowing limits.

The maturity profile of UK Public Service Broadcasting's financial liabilities, other than short-term creditors, at 31 March was:

	Overdraft £m	Finance leases £m	Trade creditors £m	Intercompany creditors £m	Total 2003 £m
2003					
Within one year	70.7	1.9	–	–	72.6
Between one and two years	–	–	33.1	1.6	34.7
Between two and five years	–	4.8	–	6.8	11.6
Greater than five years	–	–	–	9.9	9.9
	70.7	6.7	33.1	18.3	128.8
2002					
Within one year	60.9	10.1	–	–	71.0
Between one and two years	–	9.7	36.4	–	46.1
	60.9	19.8	36.4	–	117.1

Obligations under finance leases are in respect of computer hardware.

23d Interest rates

The Group's main exposure to interest rate fluctuations arises on external borrowings. Since March 2003 the Group has borrowed at both fixed and floating rates of interest and then it has used interest rate swaps to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations.

The Group's financial assets, excluding short-term debtors, amount to £140.4million at 31 March 2003 of which £134.4million are subject to floating rate interest and the remaining £6.0million of other debtors attract no interest.

After taking account of the various interest rate swaps and forward foreign currency contracts entered into by the Group, the interest rate profile of the Group's financial liabilities at 31 March 2003 was:

	Total £m	Financial liabilities on which no interest is paid £m	Floating rate financial liabilities £m	Fixed rate liabilities		
				Amount £m	Weighted average interest rate %	Weighted average period until maturity Years
2003						
Sterling	238.4	65.2	87.4	85.8	3.8%	4.5 years
US dollar	3.1	—	—	3.1	4.1%	1.4 years
Total	241.5	65.2	87.4	88.9		

Sterling fixed rate borrowings are achieved by entering into interest rate swap transactions. In addition to the £70million of swaps included in the fixed rate liabilities of £85.8million shown above, which were effective at the year end, an additional £116million of forward starting swaps had been transacted to cover projected borrowings. These additional swaps were transacted at an average rate of 4.63% maturing in March 2008.

23e Currency exposure

The majority of the Group's operations are UK-based. The Group has one significant overseas operation, BBC Worldwide America, which operates in the USA and whose revenues and expenses are denoted exclusively in US dollars. The Group mitigates part of its exposure on its Group balance sheet to movements in the US dollar and sterling exchange rate for this overseas operation through borrowings denominated in dollars.

The Group has a number of transactions involving overseas parties and priced in the currencies of those parties. The Group's policy is to eliminate currency exposure at the time of the transaction through the use of forward contracts.

As at 31 March 2003, after taking into account the effects of forward foreign exchange contracts, the Group had no significant currency exposures.

23f Gains and losses on hedging contracts

The Group undertakes some transactions in international markets. Due to movements in exchange rates over time, the amount the Group expects to pay when it enters into a transaction may differ from the amount that it actually receives or pays when it settles the transaction. The Group manages its exposure to movements in exchange rates by entering into forward exchange hedging contracts. These allow the Group to settle transactions at known exchange rates, thereby eliminating much of this uncertainty.

At 31 March 2003 the Group had entered into a net commitment to purchase foreign currencies amounting to £84.5million that mature in the period through to 2007 in order to fix the sterling cost of commitments through this period.

Unrealised gains and losses on forward exchange hedging contracts amounted to an unrealised gain of £0.6million at the balance sheet date.

From March 2003 the Group started using interest rate swaps to manage its interest rate profile. There were no significant unrealised gains or losses on these contracts at 31 March 2003.

Notes to the financial statements

23g Fair values of financial assets and liabilities

There is no significant difference in value between the book value of the Group's financial instruments and their fair value.

24 Commitments

24a Contracts placed for future expenditure

	Group 2003 £m	Group 2002 £m	UK Public Service Broadcasting 2003 £m	UK Public Service Broadcasting 2002 £m
Fixed asset additions	95.6	45.9	76.7	13.4
Programme acquisitions and sports rights	670.1	754.4	670.0	715.2
Independent programmes	68.5	69.4	68.5	69.4
	834.2	869.7	815.2	798.0

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.

24b Operating leases

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

	Land and buildings 2003 £m	Land and buildings 2002 £m	Other 2003 £m	Other 2002 £m
Group				
Within one year	2.6	2.7	2.3	5.3
In two to five years	11.0	12.1	8.8	9.3
After five years	17.6	13.0	1.9	2.5
	31.2	27.8	13.0	17.1
UK Public Service Broadcasting				
Within one year	1.7	1.3	1.2	1.0
In two to five years	3.1	4.4	3.2	10.8
After five years	15.1	11.8	0.1	—
	19.9	17.5	4.5	11.8

24c 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.

25 Contingent liabilities

At 31 March 2003 the Group had unprovided contingent liabilities estimated to be £1.6million (2002 £2.3million) in respect of guarantees and indemnities.

The Group also has a number of contingent liabilities arising from litigation. The BBC makes specific provision (see Note 17) against an estimate of any damages and costs which may be awarded.

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

26 Related party transactions

The related party transactions of the Group have been presented in accordance with FRS 8, *Related party disclosures*. Under the provisions of FRS 8 the BBC has not disclosed transactions between Group entities where more than 90% of those entities' voting rights are controlled within the Group. UK Public Service Broadcasting does not underwrite any of the activities or liabilities of the subsidiaries.

26a Transactions with joint ventures and associated undertakings

Included in the income and expenditure account is income from UKTV of £33.1million relating to the sale of programmes and JV Programmes LLC of £27.1million relating to the sale of programmes. There is also £6.0million of income made up of various other associates relating to the sale of programmes. Included in the income and expenditure is income of £0.3million from BBC Haymarket Exhibitions Limited relating to dividends and management fees. In addition, Frontline Limited charged £2.7million for the distribution of BBC Worldwide Limited's magazines. In all transactions, the terms of trade were negotiated on an arm's length basis.

The BBC and Land Securities Trillium Limited are partners in the Insight Property Partnership and the White City Development Partnership. On their formation in 2001 the BBC contributed its interest in the White City site in return for consideration which included reductions in service payments for future property services which are held as prepayments in the BBC's balance sheet. The partnership charged the BBC £111million for property services during the year (2002 £25million).

Amounts owed by/to joint ventures and associated undertakings at the year end are disclosed within Notes 15 and 16. In all transactions the terms of trade were negotiated on an arm's length basis.

26b Other transactions

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 & 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.

Dame Ruth Deech, Governor, has a daughter who is a journalist in BBC News. Her remuneration is based on the BBC's standard terms and conditions applicable to other staff employed in this capacity.

Sir Robert Smith, Governor, has a son-in-law who worked for BBC Wales during the year and now works for BBC News on a freelance basis. His remuneration and freelance fees are based on the BBC's standard terms and conditions applicable to other staff employed in a similar capacity.

Sir Richard Eyre, Governor, is also Chairman and Managing Director of Chestermead Limited. During the year Sir Richard received either directly, or through Chestermead, payments totalling £3,754 for interviews and contributions to BBC programmes. No amounts were outstanding at the year end. Sir Richard Eyre's wife, Sue Birtwhistle, works on a freelance basis for the BBC. During 2002/2003 she received £19,080 from the BBC.

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 £94,814 to the club in respect of television and radio coverage.

Baroness Hogg, Governor, is also non-executive Chairman of Frontier Economics. During the year the BBC paid £5,925 to Frontier Economics for a project relating to the incorporation of BBC Broadcast Limited. No amounts were outstanding at the year end.

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 party to the approval process.

Broadcasting facts and figures

This section has been reformatted in line with the BBC's new reporting obligations in respect of *Statements of Programme Policy*. The table on this page appears for the first time. A number of tables which have historically been included in the section but are no longer relevant have been dropped. Further revisions are anticipated in the content of the section in next year's report following the introduction of Ofcom-based reporting requirements during the year.

Table 1 BBC Statements of Programme Policy 2002/2003

Channel or service	Commitment	Achieved	Notes
BBC Television	33% of output made outside London and the South East	N	See page 80
BBC One and BBC Two	245 hours of arts and music, virtually all in or near peak time	Y	See table 7 (page 126) 109 hours were fully broadcast in peak plus 125 hours near to peak
BBC One	570 hours of news programmes, not including the overnight BBC News 24 service	Y	See table 7 (page 126)
	80 hours of current affairs, including four <i>Panorama</i> specials	Y	See table 7 (page 126)
	45 hours of arts and music programmes	Y	See table 7 (page 126)
	Increased spend on drama	Y	See table 7 (page 126), table 18 (page 131)
	650 hours of originated factual programmes	Y	See table 7 (page 126)
	Around 25 major peaktime landmark factual series and single programmes across all genres	Y	See page 22
	260 hours of sport	Y	See table 7 (page 126)
	80 hours of religion scheduled before midnight	Y	See table 7 (page 126)
	400 hours of children's programmes	Y	See table 7 (page 126)
	Repeats below 10% in peak time	Y	7.3%*
BBC Two	100 hours of news	Y	See table 7 (page 126)
	230 hours of current affairs	Y	See table 7 (page 126)
	500 hours of factual programmes	Y	See table 7 (page 126)
	200 hours of arts and music	Y	See table 7 (page 126)
	430 hours of sport	Y	See table 7 (page 126)
	100 hours of new children's programming	Y	See table 7 (page 126) This includes all children's output of which 425 hours were repeats
	20 hours of religious programmes	Y	See table 7 (page 126)
BBC Four	Around 70% of air time made up of original productions	Y	68.2%*
	Around 70% of output made in the EU/EEA	Y	95%*
	At least one substantial learning project to be commissioned	Y	See page 47
CBeebies	At least 90% of output made in the EU/EEA	Y	95.8%*
	Around 80% of output to be original BBC programming	Y	81%*
CBBC	Around 75% of output made in the EU/EEA	Y	81%*
BBC News 24	Expanded interactive news service	Y	See page 44
BBC Parliament	Expanded European coverage	Y	See page 45
	Increased recess programming	Y	See page 45
BBCi	Learning home page offering a one-stop shop for all learning opportunities from the BBC	Y	See page 49
	Significantly increased volume of interactivity on TV, including enhanced programming on new channels	Y	See page 49
	Expanded network of local websites	Y	See page 37 and page 49
	Over 85% of budget spent on content	Y	93.5%*
	Reduced cost per page impression and increased user time spent online	Y	See table 10 (page 129) and Note 2b (page 95)
BBC Radio 1	UK artists to make up 40% of playlist	Y	48.8%*
	2,500 hours a year of specialist music	Y	3,144 hours*
	250 hours a year of news and current affairs	Y	See table 9 (page 128)

Channel or service	Commitment	Achieved	Notes
BBC Radio 2	1,000 hours of specialist music	Y	1,194 hours*
	150 hours of religious output	Y	See table 9 (page 128)
	500 hours of news and current affairs	Y	See table 9 (page 128) (including National Debate)
BBC Radio 3	600 hours of original output from the BBC performing groups	Y	625 hours*
	Over 4,000 hours of live or specially recorded programming; over 50% of output	Y	4,028 hours (57.9%)*
BBC Radio 4	15,000 programmes a year across 14 genres	Y	See table 9** (page 128)
	700 hours of news bulletins	Y	See table 9 (page 128) included within news and weather
	1,300 hours of daily current affairs	Y	See table 9 (page 128) included within news and weather
	440 hours of weekly current affairs, business and political programmes	Y	See table 9 (page 128) included within news and weather
	800 hours a year of original drama and readings	Y	See table 9 (page 128)
	300 hours of original comedy	Y	See table 9 (page 128)
	180 hours of religious programming	Y	See table 9 (page 128)
BBC Radio Five Live IXtra	75% news and current affairs, 25% sport	Y	See table 9 (page 128)
	250 hours a year of daily discussion shows	Y	161 hours delivered against a pro rata target of 155 hours*
BBC Asian Network	Around 20% of output to be speech, of which around 10% will be news, documentaries and social action programmes	N	19.1% speech but only 6.9% news, documentaries and social action* See page 80
	Increased investment	Y	See table 15 (page 131)
	50% high-quality speech programming	Y	See table 9 (page 128)
Scotland	100 hours of broadcast political analysis and debate on BBC Two	Y	See table 8 (page 127)
	Around 515 hours of news and political coverage	Y	See table 8 (page 127)
	At least 20 hours of factual programmes in peak time	Y	23 hours*
	At least 16 hours of music and arts across BBC One and BBC Two	Y	See table 8 (page 127)
	Provide 15% of all BBC One and BBC Two children's programmes	Y	See table 8 (page 127)
	Increased hours and coverage on the Gaelic language service, BBC Radio nan Gaidheal	Y	See table 13 (page 130)
	100 hours of politics	N	See table 8 (page 127) and page 80
Northern Ireland	25 hours of the arts and entertainment magazine show <i>First Stop</i> plus an additional four hours of music and arts	Y	See table 8 (page 127)
	10 hours of Welsh language television per week for broadcast on S4C	Y	See page 41
English Regions	Increased investment focused on encouraging local community interaction	Y	See table 14 (page 130) and page 37
	Diversity arts researchers in each BBC Region	Y	11 Roots co-ordinators have been appointed*
	Increased number of Open Centres and mobile zones	Y	See page 37
	All main regional news programmes at 6.30pm available on digital satellite	N	This should be available by November 2003
	Greater volume of local news provision online	Y	See page 37
	16 hours each year of regional landmark current affairs programmes	Y	34 hours*
	135 hours of political debate, enhanced by online interaction	Y	See table 8 (page 127). The <i>Politics Show</i> also includes 20 minutes of regional news each week across all regions

* Information provided by BBC divisions and authenticated by BBC Internal Audit on a sample basis

** BBC Statements of Programme Policy refer to more detailed categorisation of programmes

Broadcasting facts and figures

BARB introduced a new audience panel in January 2002. Reach comparisons should therefore be treated with caution as changes may partly be due to a methodological effect. Teething problems following this change mean that some viewing figures in last year's *BBC Annual Report* have been subject to slight change, and have therefore been restated. The coding service used to measure combined BBC Radio and Television reach by genre (last year Table 6) ceased to be available after December 2001. That survey has been replaced by one that collects more robust data for a smaller number of programmes. Reach by genre across the full range of BBC Radio output is therefore not available. Data for new BBC digital services is for the period since launch only. For launch dates and an explanation of terminology in this section see page 133.

Table 2 15-minute weekly reach by service and platform

	All homes		All multichannel		Analogue terrestrial		Digital homes	
	2002/2003 (55.6m*) %	2001/2002 (55.3m*) %	2002/2003 (29.5m*) %	2001/2002 (28.0m*) %	2002/2003 (26.0m*) %	2001/2002 (27.4m*) %	2002/2003 (26.2m*) %	2001/2002 (24.5m*) %
Total BBC Television and Radio reach	92.7	93.0	–	–	–	–	–	–
BBC Television	87.1	86.8	84.1	83.1	90.5	90.4	83.6	83.1
BBC One	82.9	83.1	78.9	78.2	87.2	87.7	78.3	77.9
BBC Two	67.0	66.1	56.6	55.0	78.1	76.8	54.3	53.1
BBC Three	8.0	–	15.1	–	–	–	16.9	–
BBC Choice	4.9	5.5	9.5	11.2	–	–	11.0	14.9
BBC Four	1.0	1.1	2.0	2.0	–	–	2.2	2.7
BBC Knowledge	–	0.9	–	1.8	–	–	–	2.3
CBBC	1.1	1.1	2.2	2.0	–	–	2.0	2.6
CBeebies	4.1	3.4	8.2	6.6	–	–	9.1	8.0
BBC News 24	4.1	2.9	7.7	6.0	–	–	7.3	5.4
BBC Radio	63.4	63.5						
BBC Radio 1	22.6	23.5						
BBC Radio 2	24.2	22.9						
BBC Radio 3	3.8	3.7						
BBC Radio 4	18.1	17.7						
BBC Radio Five Live	11.9	11.2						
BBC Local Radio (including Nations)	19.6	19.9						

Source: BARB, TNS/Infosys, RAJAR, age 4+, average for the year. * People age 4+ as at March 2003, source: BARB
Note: It is not possible to measure the reach of digital radio services

Table 3 Share by service and platform

	All homes		All multichannel		Analogue terrestrial		Digital homes	
	2002/2003 (55.6m*) %	2001/2002 (55.3m*) %	2002/2003 (29.5m*) %	2001/2002 (28.0m*) %	2002/2003 (26.0m*) %	2001/2002 (27.4m*) %	2002/2003 (26.2m*) %	2001/2002 (24.5m*) %
Total BBC Television and Radio share	44.4	44.1	–	–	–	–	–	–
BBC Television	39.1	38.6	29.9	28.8	49.6	48.5	27.7	27.2
BBC One	26.5	26.5	20.2	20.0	33.5	32.9	18.8	18.8
BBC Two	11.2	11.1	7.0	6.8	16.0	15.3	6.0	6.1
BBC Three	0.7	–	1.4	–	–	–	1.4	–
BBC Choice	0.4	0.6	0.8	1.2	–	–	0.8	1.5
BBC Four	0.1	0.1	0.1	0.0	–	–	0.1	0.1
BBC Knowledge	–	0.1	–	0.1	–	–	–	0.1
CBBC	0.1	0.1	0.2	0.1	–	–	0.1	0.1
CBeebies	0.7	0.6	1.3	1.1	–	–	1.4	1.3
BBC News 24	0.4	0.3	0.7	0.5	–	–	0.6	0.5
BBC Radio	50.6	50.2						
BBC Radio 1	8.8	9.7						
BBC Radio 2	14.7	14.1						
BBC Radio 3	1.1	1.1						
BBC Radio 4	10.8	10.5						
BBC Radio Five Live	4.4	4.1						
BBC Local Radio (including Nations)	10.6	10.7						

Source: BARB, TNS/Infosys, RAJAR, age 4+, average for the year. * People age 4+ as at March 2003, source: BARB
Note: It is not possible to measure the share of digital radio services. Differences due to rounding
The analogue terrestrial share excludes local terrestrial television stations

Table 4 Subtitling output on BBC Television

	Subtitled hours		Target for year		Actual for year	
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
BBC One	10,656	10,016	76%	72%	76.8%	74.6%
BBC Two	7,421	7,379	76%	72%	76.0%	73.5%
BBC Three/BBC Choice	1,453	4,331	40%	35%	54.0%	64.4%
BBC Four/BBC Knowledge	1,155	4,029	40%	30%	43.5%	67.9%
CBBC	2,589	311	40%	30%	59.7%	55.6%
CBeebies	3,772	560	40%	30%	80.2%	92.7%
BBC News 24	3,579	2,327	40%	30%	41.0%	26.6%

Note: A target has been set for 100% of programming output to be subtitled by 2008/2009

Table 5 Audio description

	Audio described hours		Target for year		Actual for year	
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
BBC One	415	360	4.0%	2.8%	4.9%	4.2%
BBC Two	374	268	4.0%	2.8%	4.5%	3.2%
BBC Three/BBC Choice	307	314	4.0%	2.8%	11.4%	4.7%
BBC Four/BBC Knowledge	117	405	4.0%	2.8%	4.4%	6.8%
CBBC	174	3	4.0%	4.0%	4.0%	0.5%
CBeebies	227	13	4.0%	4.0%	4.8%	2.2%

Note: Targets have been set for 10% of programming output to be audio described by 2008/2009

Table 6 Signing

	Sign interpreted hours		Target for year		Actual for year	
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
BBC One	170	121	2.0%	1.4%	2.0%	1.4%
BBC Two	218	132	2.0%	1.4%	2.6%	1.6%
BBC Three/BBC Choice	63	145	2.0%	1.4%	2.3%	2.2%
BBC Four/BBC Knowledge	58	103	2.0%	1.4%	2.2%	1.7%
CBBC	94	15	2.0%	2.0%	2.2%	2.8%
CBeebies	97	13	2.0%	2.0%	2.1%	2.1%
BBC News 24	180	120	2.0%	1.4%	2.1%	1.4%

Note: Targets have been set for 5% of programming output to be signed by 2008/2009

Broadcasting facts and figures

Table 7 Network television hours of output

	On all platforms				On digital platforms only			
	BBC One		BBC Two		BBC Three/ BBC Choice		BBC Four/ BBC Knowledge	
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
Factual and learning	1,442	1,341	974	927	522	256	597	3,337
Education for children	–	12	683	678	–	–	–	–
News and weather	2,690	2,792	467	381	299	257	118	84
Current affairs	88	84	230	192	19	7	150	–
Parliamentary	34	32	149	117	–	–	–	–
Entertainment	712	802	610	682	1,039	1,370	38	3
Sport	626	519	835	864	6	1	–	–
Children's	449	533	568	494	–	–	–	6
Drama	586	561	69	62	196	310	153	216
Music and arts	55	28	270	231	175	64	916	1,375
Religion	84	102	33	18	–	4	18	55
Open University	–	–	586	784	–	–	–	–
BBC Learning Zone	–	–	601	601	–	–	–	–
Acquired programmes	1,528	1,511	2,025	2,121	333	257	617	695
Continuity	257	246	270	272	118	230	71	176
Total network	8,551	8,563	8,370	8,424	2,707	2,756	2,678	5,947

	On digital platforms only							
	CBBC		CBBC on BBC Choice/CBeebies		BBC News 24		BBC Parliament	
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
Education for children	584	72	134	–	–	–	–	–
News and weather	–	–	–	–	8,687	8,687	–	–
Parliamentary	–	–	–	–	–	–	6,820	5,253
Children's	2,451	327	3,191	3,443	–	–	–	–
Acquired programmes	1,021	146	914	1,068	–	–	–	–
Continuity	293	38	475	78	73	73	12	12
Total network	4,349	583	4,714	4,589	8,760	8,760	6,832	5,265

Note: CBBC on BBC Choice was a service for pre-school audiences

Table 8 Television hours of output by origin

	Programmes made in										Total 2002/2003	2001/2002
	London		England (excluding London)		Northern Ireland		Scotland		Wales			
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002		
First transmission:												
Originated programmes												
Network BBC One and BBC Two												
Factual and learning	875	870	573	627	–	1	36	48	10	4	1,496	1,550
Education for children	68	36	6	3	2	1	6	6	1	1	83	47
News and weather	3,131	3,168	–	–	–	–	–	1	–	–	3,131	3,169
Current affairs	224	203	52	59	–	–	4	3	–	–	278	265
Parliamentary	180	148	–	–	–	–	–	–	–	–	180	148
Entertainment	663	723	111	145	10	4	15	13	3	–	802	885
Sport	1,442	1,341	4	–	–	–	–	–	–	–	1,446	1,341
Children's	355	258	48	84	–	–	70	111	–	–	473	453
Drama	294	278	169	125	18	16	23	23	–	6	504	448
Music and arts	192	161	33	8	–	12	11	11	9	16	245	208
Religion	7	10	104	101	–	1	4	3	1	–	116	115
Subtotal	7,431	7,196	1,100	1,152	30	35	169	219	24	27	8,754	8,629
Digital channels												
Factual and learning	113	42	41	18	–	–	8	2	5	2	167	64
Education for children	12	–	10	–	–	–	–	–	–	–	22	–
News and weather	8,085	8,136	–	1	–	–	–	–	–	–	8,085	8,137
Current affairs	50	12	2	1	6	1	–	1	–	–	58	15
Parliamentary	3,728	3,813	–	–	86	86	123	123	123	123	4,060	4,145
Entertainment	261	127	9	1	2	–	–	6	4	–	276	134
Sport	–	–	–	–	–	–	–	–	–	–	–	–
Children's	993	170	22	–	–	–	116	11	–	–	1,131	181
Drama	20	15	7	2	–	5	2	5	–	–	29	27
Music and arts	211	93	28	7	2	–	48	16	31	15	320	131
Religion	–	2	3	2	1	–	–	–	–	–	4	4
Subtotal	13,473	12,410	122	32	97	92	297	164	163	140	14,152	12,838
Nations and Regions												
Factual and learning	–	–	–	–	107	88	94	95	85	73	286	256
Education for children	–	–	–	–	2	2	7	7	6	9	15	18
News and weather	285	186	3,116	3,004	334	342	379	375	353	324	4,467	4,231
Current affairs	11	5	112	101	27	23	35	31	42	13	227	173
Parliamentary	15	16	120	128	49	80	116	109	82	111	382	444
Entertainment	–	–	–	–	103	84	38	49	38	43	179	176
Sport	–	–	32	–	96	108	239	235	250	244	617	587
Children's	–	–	–	–	–	7	14	21	–	–	14	28
Drama	–	–	–	–	1	–	28	4	11	13	40	17
Music and arts	–	–	–	–	3	5	30	29	26	30	59	64
Religion	–	–	–	–	–	–	–	–	–	–	–	–
Subtotal	311	207	3,380	3,233	722	739	980	955	893	860	6,286	5,994
Acquired programmes	1,076	1,028	9	13	2	–	8	5	2	3	1,097	1,049
Total first transmissions*	22,291	20,841	4,611	4,430	851	866	1,454	1,343	1,082	1,030	30,289	28,510

Broadcasting facts and figures

Table 8 Television hours of output by origin *continued*

	Programmes made in											
	London		England (excluding London)		Northern Ireland		Scotland		Wales		Total	
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
Repeats												
Network	17,096	17,369	2,522	2,270	41	27	500	221	133	60	20,292	19,947
Nations and Regions	–	–	2	1	201	195	142	124	296	108	641	428
Continuity	1,483	1,042	26	20	51	99	170	114	149	137	1,879	1,412
Open University	586	784	–	–	–	–	–	–	–	–	586	784
BBC Learning Zone	498	590	100	8	–	1	3	1	–	1	601	601
Total hours of broadcasting	41,954	40,626	7,261	6,729	1,144	1,188	2,269	1,803	1,660	1,336	54,288	51,682
* Of which independents												
Network	1,528	1,040	418	442	25	38	82	76	22	4	2,075	1,600
Nations and Regions	–	–	12	11	93	104	113	112	121	125	339	352

Table 9 Network radio hours of output

	Analogue stations									
	BBC Radio 1*		BBC Radio 2		BBC Radio 3		BBC Radio 4		BBC Radio Five Live	
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
Music	8,460	8,472	7,448	7,422	8,109	8,126	–	–	–	–
News and weather	270	272	455	420	18	18	2,585	2,563	650	469
Sport	29	33	–	–	–	–	759	696	2,179	2,239
Knowledge	–	–	70	86	–	17	1,721	1,736	27	27
National debate	34	25	170	165	–	–	776	765	5,748	5,817
Drama	–	–	13	13	106	102	1,079	1,075	–	–
Arts	–	–	85	118	204	167	333	340	–	–
Comedy and entertainment	–	–	71	79	–	–	418	416	16	31
Religion	–	–	192	193	56	63	182	180	–	–
Schools/continuing education	15	15	–	–	208	208	46	44	–	–
Leisure	65	69	60	85	–	–	59	62	–	37
Presentations and trailing	148	145	196	179	59	59	55	55	140	140
Total	9,021	9,031	8,760	8,760	8,760	8,760	8,013	7,932	8,760	8,760

* BBC Radio 1 operates Nations' opt-outs from The Evening Session on weekday evenings

Digital stations

	Digital stations											
	BBC Five Live Sports Extra		1Xtra		6 Music		BBC 7		BBC Asian Network		Total network radio	
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
Music	–	–	4,472	n/a	7,876	454	–	n/a	1,395	n/a	37,760	24,474
News and weather	–	–	153	n/a	263	15	–	n/a	198	n/a	4,592	3,757
Sport	1,320	200	43	n/a	–	–	–	n/a	149	n/a	4,479	3,168
Knowledge	–	–	–	n/a	–	–	163	n/a	366	n/a	2,347	1,866
National debate	–	–	134	n/a	–	–	–	n/a	564	n/a	7,426	6,772
Drama	–	–	–	n/a	–	–	1,004	n/a	–	n/a	2,202	1,190
Arts	–	–	–	n/a	–	–	–	n/a	–	n/a	622	625
Comedy and entertainment	–	–	–	n/a	–	–	744	n/a	28	n/a	1,277	526
Religion	–	–	–	n/a	–	–	–	n/a	121	n/a	551	436
Schools/continuing education	–	–	–	n/a	–	–	–	n/a	–	n/a	269	267
Leisure	–	–	36	n/a	–	–	–	n/a	160	n/a	380	253
Presentations and trailing	–	–	616	n/a	621	35	–	n/a	–	n/a	1,835	613
Total	1,320	200	5,454	n/a	8,760	504	1,911	n/a	2,981	n/a	63,740	43,947

Note: All digital radio networks are broadcast via DAB (Digital Audio Broadcasting), Dcable (digital cable), Dsat (digital satellite), DTT (digital terrestrial television) and are streamed online

Table 10 Monthly BBCi on the internet page impressions

	March 2003 Millions	March 2002 Millions
News and sport*	630.4	226.2
Education	41.7	32.6
Other BBCi	509.6	290.5
Total BBCi on the internet (excl. beeb.com)	1,181.7	549.3
BBC World Service, accessed via BBCi sites	71.9	26.2
BBC World Service, accessed via key partners	5.4	2.7
Total BBC World Service	77.3	28.9

Source: Server logs

Note: Key partner websites host BBC World Service text and audio

* A new international-facing site was launched in July 2002. 150.4 million of the March 2003 page impressions relate to this new service

Table 11 Monthly BBCi on the internet and interactive television reach (millions of users)

	March 2003 Millions	March 2002 Millions
BBCi on the internet*	8.3	5.7
BBCi on interactive television**	6.2	3.7
Total BBCi***	13.3	8.8

Source: * BMRB Access, Monthly Omnibus Survey, adults age 15+

Source: ** Interactive television tracking study, adults age 15+, July 2001 to date for digital satellite Digital terrestrial study began July 2001 but ended May 2002 following closedown of ITV Digital

*** Total BBCi only counts an individual once for using BBCi services on both the internet and interactive television (digital satellite usage only, no reliable figures available for other platforms)

Table 12 Network radio hours of output by origin

	Analogue stations									
	BBC Radio 1		BBC Radio 2		BBC Radio 3		BBC Radio 4		BBC Radio Five Live	
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
Programmes produced in London	8,332	8,349	5,723	5,784	6,572	6,617	6,241	6,220	8,510	8,472
Programmes produced outside London										
England excluding London	422	412	2,893	2,837	1,191	1,219	1,487	1,434	248	283
Northern Ireland	90	90	14	15	89	99	47	44	2	5
Scotland	89	90	124	120	404	367	162	163	–	–
Wales	88	90	6	4	504	458	76	71	–	–
Subtotal	689	682	3,037	2,976	2,188	2,143	1,772	1,712	250	288
Total hours of broadcasting	9,021	9,031	8,760	8,760	8,760	8,760	8,013	7,932	8,760	8,760
	Digital stations									
	BBC Five Live Sports Extra		1Xtra		6 Music		BBC 7		BBC Asian Network	
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
Programmes produced in London	1,320	200	5,452	n/a	7,659	504	1,911	n/a	330	n/a
Programmes produced outside London										
England excluding London	–	–	2	n/a	1,101	–	–	n/a	2,651	n/a
Northern Ireland	–	–	–	n/a	–	–	–	n/a	–	n/a
Scotland	–	–	–	n/a	–	–	–	n/a	–	n/a
Wales	–	–	–	n/a	–	–	–	n/a	–	n/a
Subtotal	–	–	2	n/a	1,101	–	–	n/a	2,651	n/a
Total hours of broadcasting	1,320	200	5,454	n/a	8,760	504	1,911	n/a	2,981	n/a
	Total network radio		Nations and local radio*		Total radio					
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002				
Programmes produced in London	52,050	36,146	8,736	8,736	60,786	44,882				
Programmes produced outside London										
England excluding London	9,995	6,185	218,028	213,583	228,023	219,768				
Northern Ireland	242	253	8,776	8,754	9,018	9,007				
Scotland	779	740	10,620	10,394	11,399	11,134				
Wales	674	623	13,898	13,570	14,572	14,193				
Subtotal	11,690	7,801	251,322	246,301	263,012	254,102				
Total hours of broadcasting	63,740	43,947	260,058	255,037	323,798	298,984				

* Including BBC Asian Network until it became a digital station

Broadcasting facts and figures

Table 13 Nations and local radio hours of output

Nations radio	Population*	Total	2001/2002
	Age 15+ (000s)		
Northern Ireland:			
BBC Radio Ulster	1,339	6,055	6,119
BBC Radio Foyle	113	2,721	2,635
Scotland:			
BBC Radio Scotland			
(including BBC Radio Orkney/Shetland)	4,190	8,004	8,326
BBC Radio nan Gaidheal	4,190	2,616	2,068
Wales:			
BBC Radio Wales	2,412	6,992	6,810
BBC Radio Cymru	2,412	6,906	6,760
Subtotal		33,294	32,718
Local radio			
Berkshire	794	3,714	3,329
Bristol (including Somerset Sound opt)	1,238	7,555	7,550
Cambridgeshire	612	6,373	5,710
Cleveland	794	5,302	5,093
Cornwall	416	5,735	5,493
Cumbria	384	5,853	5,666
Derby	588	5,127	5,130
Devon (including Plymouth opt)	916	6,327	6,367
Essex	1,173	5,522	5,269
Gloucestershire	464	5,175	5,291
GMR	2,081	6,871	6,705
Guernsey	50	4,231	4,179
Hereford & Worcester	492	5,192	5,287
Humberside	729	5,786	5,459
Jersey	74	4,294	4,228
Kent	1,293	6,281	5,535
Lancashire	1,134	5,785	5,865
Leeds	1,506	6,406	6,266
Leicester	760	5,223	5,069
Lincolnshire	490	5,263	5,311
London 94.9	10,384	8,736	8,736
Merseyside	1,623	6,178	6,107
Newcastle	1,361	6,450	5,858
Norfolk	683	6,430	6,229
Northampton	440	5,004	5,089
Nottingham	736	6,708	5,753
Oxford	504	5,497	5,469
Sheffield	1,227	5,875	5,654
Shropshire	361	5,306	5,251
Solent (including Dorset opt)	1,659	6,684	7,364
Southern Counties Radio (including Brighton, Sussex and Surrey opts)	2,383	8,460	6,735
Stoke	603	5,144	5,127
Suffolk	422	5,113	5,140
Three Counties Radio	958	6,895	6,699
Wiltshire Sound	498	7,287	6,910
WM (including Coventry & Warks. opt)	2,770	8,818	8,907
York	467	6,249	5,548
Subtotal		222,849	215,378
BBC Asian Network**	4,976	3,915	6,941
Total hours		260,058	255,037

* Based on Total Survey Area (the area over which the radio station's audience is measured for research purposes), age 15+, for RAJAR reporting

** BBC Asian Network until it became a digital station

Note: An opt-out radio service broadcasts some of its own programmes for its local area, opting out of the main service

Note: Details of BBC radio frequencies are available on www.bbc.co.uk/radio or by calling 08700 100 123

Table 14 Spend outside London

	2002/2003 £m	2001/2002 £m
Cost of Nations and Regions television originations		
England	80	75
Scotland	51	47
Wales	35	31
Northern Ireland	31	27
	197	180
Cost of regional BBC and independent productions for network television		
	261	229
Total cost of television originations in the Nations and Regions		
	458	409
Cost of Nations and local radio originations		
England – local radio	87	79
Scotland	21	19
Wales	18	18
Northern Ireland	10	10
	136	126
Cost of regional BBC and independent productions for network radio		
	43	40
Total cost of radio originations in the Nations and Regions		
	179	166
Other programme costs incurred outside London		
	56	51
Other costs, including transmission		
	95	86
Total spend in the Nations and Regions	788	712

Table 15 Cost per hour of originated programmes

	2002/2003 £000	2001/2002 £000
Television channels		
BBC One	160.3	146.1
BBC Two	108.7	98.2
BBC Three/BBC Choice*	129.0	107.6
BBC Four	58.9	98.5
BBC Knowledge	n/a	72.0
CBBC	27.4	19.6
CBeebies	39.6	42.2
BBC News 24	5.7	5.8
BBC Parliament	0.7	0.7
Radio stations		
BBC Radio 1	2.7	2.7
BBC Radio 2	4.2	4.0
BBC Radio 3	4.0	3.8
BBC Radio 4	11.0	10.7
BBC Radio Five Live	7.9	7.4
BBC Five Live Sports Extra	1.3	1.7
1Xtra	0.8	n/a
6 Music	0.5	0.4
BBC 7	9.0	n/a
BBC Asian Network	0.5	n/a
Nations and Regions		
Television (BBC One/BBC Two/BBC Choice)	31.3	28.5
Radio (Local radio/Nations radio)	0.5	0.5

* BBC Choice included a branded block of children's programmes shown between 6am and 6pm

Table 16 BBC News 24

Note 2b (page 95) lays out the cost of BBC services and channels. This year certain categories of expenditure, including newsgathering, which were previously allocated to individual services and channels, are shown separately. Had part of this expenditure been allocated to BBC News 24, its costs would have been as follows:

	2002/2003 £m	2001/2002 £m
Total production costs as set out in Note 2b	23.8	25.7
Newsgathering allocation	18.8	19.3
Central costs allocation	7.5	7.4

Note: 1,146 hours of BBC News 24 programming were shown on BBC One and 156 hours on BBC Two (2001/2002 1,381 hours on BBC One and 77 hours on BBC Two)

Table 17 Distribution costs

	2002/2003 £m	2001/2002 £m
Analogue	73	75
Digital	69	52
Total distribution costs	142	127

Table 18 Cost per hour of originated programmes by genre

	2002/2003 £000	2001/2002 £000
Analogue television programmes		
Factual and learning	110.6	104.2
Education for children	119.1	85.2
News and weather	50.1	51.7
Current affairs	123.3	117.5
Parliamentary	49.7	73.0
Entertainment	177.3	176.9
Sport	192.2	127.8
Children's	83.7	100.1
Drama	526.7	518.0
Music and arts	142.7	111.9
Religion	112.7	107.6
Digital television programmes		
Factual and learning	114.3	109.4
Education for children	—	—
News and weather	6.8	6.2
Current affairs	57.5	74.1
Parliamentary	0.7	0.9
Entertainment	162.6	162.6
Sport	—	—
Children's	29.4	25.0
Drama	234.8	267.5
Music and arts	65.3	52.9
Religion	87.0	59.5

Table 19 Creative spend outside the BBC

	2002/2003 £m	2001/2002 £m
Independent programme productions transmitted	319	257
External programme facilities and resources	270	212
Acquired programmes transmitted	103	96
Artists, contributors and copyright	284	263
	976	828

Getting in touch

BBC Information

If you have a question or comment about BBC programmes or services, you can ring BBC Information 24 hours a day, seven days a week. Welsh language services are available when you ring or write.

Write to:

BBC Information
PO Box 1922

Glasgow G2 3WT

Ring: 08700 100 222*

Textphone: 08700 100 212

Website: www.bbc.co.uk/info

Fax: 0141 307 5770

For information about how to receive the BBC's digital services

Ring: 08700 101 010*

Website: www.bbc.co.uk/digital

For general television and radio reception advice

Write to:

BBC Reception Advice
BBC Television Centre
London W12 7RJ

Ring: 08700 100 123*

(24 hours a day, seven days a week)

Textphone: 08700 100 212

Website: www.bbc.co.uk/reception

To share your views on our television programmes

Write to:

Points of View

BBC Birmingham
B5 7QQ

Ring/fax: 0121 472 7988

(operational when programme is on air)

Email: pov@bbc.co.uk

Website: www.bbc.co.uk/pov

To share your views on our radio programmes

Write to:

Feedback

PO Box 2100
London W1A 1QT

Ring: 08700 100 400* (between 7am and 12midnight every day)

Fax: 020 7436 2800

Email: feedback@bbc.co.uk

Website:

www.bbc.co.uk/radio/feedback

Programme complaints

If you think a programme has fallen seriously below the BBC's editorial standards, you can write to:

Head of Programme Complaints
Programme Complaints Unit
BBC Broadcasting House
London W1A 1AA

Or you can write to the

Broadcasting Standards Commission, an independent statutory body which considers complaints about standards and fairness and privacy in broadcasting at:

Broadcasting Standards Commission
7 The Sanctuary
London SW1P 3JS

BBC Broadcasting and Advisory Councils

The National Broadcasting Councils in Scotland, Wales and Northern Ireland and the English Regional and Local Advisory Councils assist the BBC Governors in their overview of the BBC. You can write to them with your views through:

The Secretary
BBC Broadcasting Council for Scotland
Room 3152
BBC Broadcasting House
Queen Margaret Drive
Glasgow G12 8DG

The Secretary
BBC Broadcasting Council for Wales
BBC Broadcasting House
Llandaff
Cardiff CF5 2YQ

The Secretary
BBC Broadcasting Council for Northern Ireland
BBC Broadcasting House
Ormeau Avenue
Belfast BT2 8HQ

The Secretary
BBC English Regions
BBC Broadcasting Centre
Pebble Mill Road
Birmingham B5 7QQ

The Central Religious Advisory Committee (CRAC) advises the BBC on religious broadcasting policy and programmes. You can write to CRAC with your views through:

Head of Public Accountability
BBC Broadcasting House
Portland Place
London W1A 1AA

Free tickets

For free tickets to BBC radio and television shows:

Write to:

BBC Audience Services
PO Box 3000

BBC Television Centre
London W12 7RJ

Ring: 020 8576 1227

Textphone: 020 8225 8090

Fax: 020 8576 8802

Email: tv.ticket.unit@bbc.co.uk or

radio.ticket.unit@bbc.co.uk

Website: www.bbc.co.uk/tickets

Visiting the BBC

Tours of BBC Television Centre in London are available. For more information and to book:

Ring: 0870 603 0304*

From outside the UK, please ring +44 2890 535 904

Textphone: 0870 903 0304

Email: bbctours@bbc.co.uk

Website: www.bbc.co.uk/tours

BBC Scotland, BBC Wales, BBC Northern Ireland and English regional centres and local radio stations will arrange tours for media students, professional organisations and other groups. Please contact your local centre for details.

BBC products

You can buy DVDs, videos, books, toys and other merchandise for some BBC programmes. For copyright reasons getting tapes of other programmes is not generally possible.

Ring: BBC Products and Sales
0870 600 7080*

Website: www.bbcshop.com

Contributing to programmes

The BBC has a Diversity Database of potential contributors to help BBC programme makers find new faces and voices, and to reflect better the full diversity of UK society. We are particularly interested in hearing from disabled people, people from ethnic minority backgrounds and older people. For an application form:

Write to:

Diversity Database Project

Administrator

Room 7021

BBC Television Centre

London W12 7RJ

Ring: 020 8576 4807

Fax: 020 8742 9066

Email: diversity.database@bbc.co.uk

To find out about getting work experience at the BBC

Write to:

BBC Work Experience

PO Box 27118

London W1A 6ZL

Email: work.experience@bbc.co.uk

Website:

www.bbc.co.uk/workexperience

To find out about job vacancies at the BBC

Write to:

BBC Recruitment

PO Box 7000

London W1A 6GJ

Ring: 0870 333 1330*

Email: recruitment@bbc.co.uk

Website: www.bbc.co.uk/jobs

For queries about your television licence

General enquiries

Ring: TV Licensing (Monday to

Saturday 8.30am–9pm)

08705 763 763*

For direct debit payments

Freephone: 0800 328 2020

Fax: 0870 240 1187

Website: www.tvlicensing.co.uk

* Calls may be monitored or recorded for training purposes.

Glossary and other information

This *BBC Annual Report and Accounts* is available in public libraries throughout the UK and on the BBC's website at www.bbc.co.uk/annualreport. It is also available in Welsh, in an audio version, in Braille and in a version tailored for people with learning difficulties.

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

Annual Reviews of BBC Scotland, BBC Wales, BBC Northern Ireland and BBC English Regions are published simultaneously with this document, as is the *Annual Review* of BBC World Service.

Copies of any of these publications may be obtained by calling 08703 665 466* or contacting BBC Information (details left).

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Launch dates of new BBC services

2002/2003

BBC Three	9 February 2003 <i>(BBC Choice ceased on 8 February 2003)</i>
IXtra	16 August 2002
BBC Asian Network (digital)	28 October 2002
BBC 7	15 December 2002

2001/2002

CBBC/CBeebies	11 February 2002
BBC Four	2 March 2002 <i>(BBC Knowledge ceased 1 March 2002)</i>
BBC Five Live Sports Extra	2 February 2002
6 Music	11 March 2002

Technical terms and abbreviations

BARB Broadcasters' Audience Research Board. A joint industry committee, funded by television companies and advertising agencies, which produces audience measurement and audience reaction data for the television industry. Data is published monthly. Since 1 January 2002 there have been modifications to the way BARB collects viewing figures. This means figures for 2001 and 2002 are not strictly comparable. BARB data is based on all individuals aged 4+.

BREEAM Building Research Establishment Environmental Assessment Method.

DCMS Department for Culture, Media and Sport. The Government department responsible for broadcasting.

Narrative repeats Programmes that appear twice in a weekly schedule.

Network programmes The term used by the BBC to mean programmes transmitted to at least 11 of our 14 Nations & Regions.

Originated programmes Originated programmes/originations are the first showing of programmes directly produced or commissioned by the BBC.

Page impressions Page impressions (PIs) measure the total number of visits to our website pages.

RAJAR Radio Joint Audience Research Limited. Jointly owned by the Association of Independent Radio Companies and the BBC. RAJAR operates an audience measurement system for the radio industry. Data is published quarterly and is based on all adults (age 15+). The exception to this is BBC Radio 1 which reports age 4+. Tables 2 and 3 in Broadcasting facts and figures and the charts on page 7 use annual data for all individuals age 4+, in order to report television and radio data on the same basis.

Reach The percentage of people viewing or listening to output for a defined period.

The standard television definition (BARB) is three minutes consecutively, while that for radio (RAJAR) is 15 minutes consecutively. The BBC uses 15 minutes consecutive reach for television to ensure robust data. Usually measured daily or weekly.

Online reach is the number or percentage of adult internet users (15 years +) who state they have used the BBCi website in the past month.

RTS Royal Television Society.

Share The amount of viewing of/listening to a given station or service – expressed as a percentage of all viewing/listening – during a defined timeband.

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