

# Governors' review of commercial activities BBC Worldwide Limited

**BBC** Worldwide

## Overview

BBC Worldwide Limited is the commercial subsidiary of the BBC that aims to maximise the value of the BBC's content assets for the benefit of the licence payer, in order to reinvest its earnings into public service broadcasting and to extend the enjoyment of BBC programming among UK audiences and around the world.

It does this by, for example, licensing programme formats, selling rights, publishing books, magazines, DVDs and CD-Roms linked to BBC programmes, and operating commercial television channels.

BBC Worldwide operated in a very difficult trading environment in 2003/2004, but despite difficulties in some areas of its business, succeeded in returning £141million in cash to the BBC (up from £123million in 2002/2003).

The BBC is launching a comprehensive review of its commercial activities which will report by the end of 2004.

The commercial exploitation of assets created for the licence payer is an important part of the BBC's response to the challenge set by successive governments for the BBC to make the most of financial self-help measures. BBC Worldwide helps to manage the BBC's brands strategically, thereby maximising their value – as well as extending licence payers' enjoyment through books, magazines, digital media and commercial television channels. Overseas, BBC Worldwide's growing presence raises awareness of UK cultural values and acts as a global platform for talent – helping to deliver public value to the UK creative community.

In tough global conditions, BBC Worldwide increased its sales from continuing operations, including BBC Worldwide's share of joint ventures, to £657million – up 3% on last year (£640million). The difficult trading conditions were offset by the success of BBC Worldwide's multiformat strategy which gives it a diverse business base and some protection against market volatility. BBC Worldwide's profit increased to £37million, up 13% on last year (£32million). Profit on continuing operations declined to £37million from £44million, primarily due to the erosion of the US dollar.

BBC Worldwide will only engage in activities that fit BBC values. This year, for example, BBC Worldwide introduced an ethical food policy restricting the use of BBC children's characters on licensed products – this took account of growing public concern over child obesity.

In 2003/2004, BBC Worldwide sold 40,000 hours of television programming. Strong



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**1 The Andy Pandy Roadshow**  
Puppets were turned into live theatre for this roadshow

**2 Global success**  
*Colosseum*, now licensed to broadcasters in 35 countries

**3 The Radio Times**  
Colin Baker as Dr Who showcased by the *Radio Times*

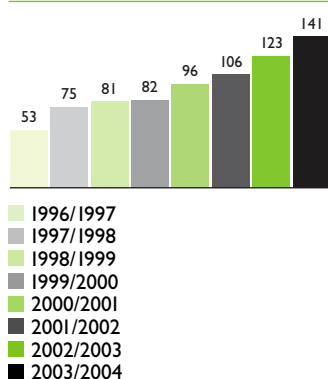
**4 The Office**  
The second series broke the record for the fastest-ever selling DVD of a television programme

**38**  
million homes in the US can access BBC America

**20**  
countries bought and adapted the *Great Britons* format

For more broadcasting facts and figures, see pages 58 to 67 and 136 to 146

BBC Worldwide cash flow to the BBC (£million)



Source: BBC Finance

demand was evident at BBC Showcase where programme buyers view BBC productions. This year 480 buyers from 80 countries screened 600 hours of new television and initiated £50million of business.

Alongside BBC content, BBC Worldwide successfully exploits a wide range of intellectual property rights on behalf of independent producers. In 2002 the Department for Culture, Media and Sport (DCMS) launched a review of television programme production following claims that the independent sector was being disadvantaged. BBC Worldwide participated fully in the review and, following the DCMS response to the report in January 2003, has now enhanced its separation from the BBC in its dealings with the independent sector.

BBC Worldwide is a market-leader in the sale of television formats – programme concepts adapted for use in overseas markets. Last year's big success was the interactive *Great Britons* format. This was successfully remade as *Great Germans* for the ZDF network and versions are under way in 20 other countries.

BBC Worldwide operates television channels in the UK and abroad. Overseas, over 340 million homes now have access to BBC Worldwide's channels and the digital channel BBC America can be seen in 38 million US homes. In the UK, BBC Worldwide operates UKTV as a joint venture with Telewest. This year, UKTV Documentary, UKTV People and UKTV G2 were launched as additional niche networks. BBC Worldwide's other main partnership is a joint venture with Discovery Communications Inc. The joint venture

channel Animal Planet is now available in 193 million homes and has secured distribution in the competitive German market.

BBC Magazines saw copy sales pass 100 million. *Radio Times* had its most profitable year, and there were strong debuts for *Songs of Praise*, *Easy Gardening* and *BBC Parenting*.

BBC Worldwide Consumer Publishing sold 26 million books, videos, DVDs and audio products. The big DVD success was *The Office* series two which broke the record for the fastest-ever selling DVD of a television series. BBC Worldwide is a leading UK publisher of adult non-fiction books – retaining number one position in cookery, gardening and natural history. BBC Audiobooks is the UK's leading spoken word publisher.

It was a difficult year for children's properties, given increased competition in the sector. But BBC Worldwide consolidated its position as the UK's leading pre-school video and DVD distributor – with the CBeebies pre-school series *Balamory* doing well on DVD and CD-Rom, and recently launching as a magazine.

BBC Worldwide Learning's major development was the launch of TeachandLearn.net – a partnership with the Open University to create the UK's first online development service for teachers.

BBC Worldwide is active in digital media. This year it launched BBC News on RealNetworks' broadband SuperPass service. It was also a strong year for the internet service provider beeb.net which saw 31% year-on-year growth in users.

# Governors' review of commercial activities BBC Ventures Group Limited

**BBC** Resources **BBC** Technology **BBC** Broadcast **BBC** Vecta

## Overview

BBC Ventures Group Limited is the umbrella company for four commercial companies providing broadcast services in the UK and internationally, including to the BBC. The group, which has some 4,000 staff, was originally tasked to deliver cash and cost savings of £300million to the BBC over five years as part of the self-help programme asked for by the Government as part of the last licence fee settlement. After a strategic review of the business, the BBC decided to sell one of the companies, BBC Technology, which would enable the BBC to realise larger savings than planned, and take them earlier.

In a year when markets remained difficult, BBC Ventures Group delivered cash of £7million for the BBC (2002/2003 £6million) and cumulative cost reductions in the supply of facilities of £27million (2002/2003 £23million). Revenues were £432million (excluding trading between BBC Ventures Group companies of £36million) and profit before interest and tax (PBIT) was £15million.

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### **BBC Resources**

BBC Resources is the largest production facilities business in Europe and supplies outside broadcasts, studios and post-production as well as costumes and wigs.

The business is dependent on supplying facilities for sports coverage, and last year was the trough of the four-year sport cycle. This, combined with tougher conditions in all markets, led to reduced volumes of work and pressures on margins. However, BBC Resources delivered revenues of £128million, finished the year in profit (PBIT £4million), generated £7million in cash for the BBC and is positioned to take advantage of the cyclical upturn in events over the next year.

The company had some notable successes, including supplying at very short notice the facilities for the memorable coverage of the Rugby World Cup celebrations in central London when half a million people were on the streets. With less than a week to prepare, BBC Resources supplied 38 cameras, 31 vehicles and a helicopter. For the World Rally Championship, the company supplied the first live coverage from inside cars travelling at high speeds in hostile terrain. Developments of special cameras and wireless solutions also facilitated innovative coverage of Wimbledon and the London Marathon.

### **BBC Technology**

BBC Technology provides products and services for managing and distributing rich media content across multiple platforms including digital media, telecoms, broadcast and interactive television.



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**1 Rugby World Cup welcome**  
BBC Outside Broadcasts supplied 38 cameras to cover the event

**2 Wi-Cam technology**  
New development frees cameras from cables

**4 The Broadcast Centre**  
New state-of-the-art television play-out centre in west London

**3 Colledia**  
BBC Technology's new product helps broadcasters manage media

**750**  
thousand costumes available from BBC Resources

**81%**  
of programming on BBC One subtitled

For more broadcasting facts and figures, see pages 58 to 67 and 136 to 146

In 2003 the company launched its Colledia set of products which enables broadcasters, film companies and other media organisations of all sizes to produce high-quality content more efficiently. Colledia has been bought by the US sports broadcaster ESPN.

The Governors' decision to approve the sale of the company was taken after an internal strategic review of the BBC's technology requirements for the next decade which identified potential annual savings of between £20million and £30million through outsourcing technology services. The buyer will take on the current staff of 1,400 and provide the BBC with technology support, including web-hosting, broadcast technology services and desktop support for the duration of a ten-year contract. The new contract is expected to begin in 2004/2005. The sale remains subject to the approval of the Department for Culture, Media and Sport (DCMS).

BBC Technology delivered revenues of £230million, finished the year in profit (PBIT £10million) but was a net consumer of cash in the year (an £1.1million outflow). The business passed cumulative savings to the BBC of £25million.

#### BBC Broadcast

BBC Broadcast aims to provide broadcasters with everything they need to launch, promote, manage and play-out content for television, the internet and mobile devices. The range of services includes new channel launches, play-out and channel management, channel branding and promotion, and subtitling, audio describing, signing and other media access provision.

The most significant development for the company in 2003/2004 was the completion of its new HQ, the Broadcast Centre, part of the newly developed Media Village close to Television Centre that is planned to become home to a number of other media companies. Over the course of 2004/2005 all the channels and interactive streams played out from Television Centre will migrate to the Broadcast Centre in one of the biggest operations of its kind in broadcast history. The new HQ will significantly increase BBC Broadcast's capacity to service new channels.

Despite the investment in the Broadcast Centre, BBC Broadcast delivered revenues of £109million, finished the year in profit (PBIT £7million) and generated £15million in cash for the BBC. In addition, cumulative savings delivered to the BBC were £2million.

#### BBC Vecta

BBC Vecta was launched in 2003 to exploit commercially technical innovations generated by the BBC's Research & Development team. BBC Vecta works with Research & Development teams in the BBC, including the Kingswood Warren research labs, and with other strategic partners.

BBC Vecta delivered revenues of £1million, finished the year having made a loss (loss before interest and tax £3million) and consumed £4million in cash.