

European Channel Broadcasting Limited

Directors' report and financial statements

Year ended 31 March 2005
Registered number 2964835



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

Principal activities and business review

The principal activity of the company is the procurement of the BBC Prime television channel and its broadcast across continental Europe by satellite.

Results and dividends

The retained profit for the year ended 31 March 2005 was £85,000 (2004: £122,000 loss) and has been transferred to reserves. The directors do not recommend the payment of a dividend (2004: £nil).

Directors and directors' interests

The directors of the company during the year were as follows:

MC Young
D King

None of the directors had any interest in the shares of the company during the year.

Credit payment policy

It is the company policy to adhere to the payment terms agreed with the supplier. Payments are contingent on the supplier providing goods and services to the required standard.

Laying of Reports and Accounts

The company has passed an elective resolution dispensing with the requirement to lay reports and accounts before the company in general meeting.

Under the provisions of Section 253(2) of the Companies Act 1985, a member has the right to require the reports and accounts to be laid before the company in general meeting. The member must deposit notice of intention to exercise such right at the registered office of the company within twenty-eight days of the date of this report.

Auditors

The company has an elective resolution in force dispensing with the requirement to appoint auditors annually.

By order of the board



J Stevenson
Company Secretary

27th January 2006

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
PO Box 695
8 Salisbury Square
London, EC4Y 8BB

Report of the independent auditors to the members of European Channel Broadcasting Limited

We have audited the financial statements on page 4 to 9.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company 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 directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
Registered Auditor
London

30 January 2006

Profit and loss account

For the year ended 31 March 2005

	<i>Note</i>	2005 £000	2004 £000
Turnover	1	1,566	1,600
Cost of sales		<u>(1,516)</u>	<u>(1,550)</u>
Gross profit		50	50
Administrative expenses		(17)	(224)
Operating profit/(loss)		<u>33</u>	<u>(174)</u>
Profit/(loss) on ordinary activities before taxation	2	<u>33</u>	<u>(174)</u>
Tax on profit/(loss) on ordinary activities	3	52	52
Retained profit/(loss) for the year	7	<u>85</u>	<u>(122)</u>

The company has not recognised gains and losses other than those above and therefore no separate statement of total recognised gains and losses has been presented. The company's historical results are the same as its reported results.

Balance Sheet

at 31 March 2005

	<i>Notes</i>	2005 £000	2004 £000
Current assets			
Debtors	4	58,779	57,162
Creditors: amounts falling due within one year	5	<u>(59,078)</u>	<u>(57,546)</u>
Net current liabilities		<u>(299)</u>	<u>(384)</u>
Capital and reserves			
Called up share capital	6	10	10
Profit and loss account	7	<u>(309)</u>	<u>(394)</u>
Deficit in equity shareholders' funds	8	<u>(299)</u>	<u>(384)</u>

These financial statements were approved by the board of directors on *27 January* 2006 and were signed on its behalf by:

Marked

Director

Notes

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. The financial statements have been prepared under the historical cost convention and on a going concern basis.

Going concern

Notwithstanding the company's net current liabilities and net liabilities, the directors have received confirmation from the directors of the holding company that they will not demand immediate repayment of debt but will continue to support the company financially to enable it to meet its liabilities as and when they fall due, for a period not less than one year from the date of approval of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

If the company were unable to continue to trade, adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for any further liabilities that might arise.

Cashflow statement

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking includes the company in its own published consolidated financial statements.

Turnover

Turnover, which excludes value added tax, represents the value of licence fees charged, recognised on an accruals basis.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Except where otherwise required by accounting standards full provision without discounting is made for all timing differences that have arisen but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it is more likely than not that they will be recovered.

Foreign currency translation

Transactions in foreign currencies are translated into sterling at the rate of exchange prevailing at the date of the transactions.

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

Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Notes – (continued)

2 Profit on ordinary activities before taxation

	2005	2004
	£000	£000
<i>Profit on ordinary activities is stated after charging:</i>		
Operating lease rentals	574	586
Exchange losses	17	224

Auditor's remuneration was borne by the parent company in the current and prior year.

The company did not employ any staff in the current or prior year. No fees or other emoluments were paid to the directors during the year (2004: £nil).

3 Taxation on profit on ordinary activities

	2005	2004
	£000	£000
Analysis of tax credit in year		
<i>UK corporation tax</i>		
Current year group relief payable/(receivable)	10	(52)
Adjustment in respect of prior year	(62)	-
Total credit for the year	(52)	(52)

Factors affecting the tax credit for the current period

Profit/(loss) on ordinary activities before tax	33	(174)
Current tax at UK statutory rate of corporation tax of 30% (2004: 30%)	10	(52)
Adjustment in respect of prior year	(62)	-
Current tax credit for the year	(52)	(52)

Factors affecting the future tax credit

It is anticipated that the future tax rate will follow the UK statutory rate of corporation tax.

Notes – (continued)

4 Debtors: amounts falling due within one year

	2005 £000	2004 £000
Licence fees receivable from fellow subsidiary undertaking	58,565	57,000
Group relief receivable	214	162
	<u>58,779</u>	<u>57,162</u>

5 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Amount owed to parent undertaking	58,964	57,499
Amount owed to fellow subsidiary undertakings	49	47
Accruals and deferred income	65	-
	<u>59,078</u>	<u>57,546</u>

6 Called up share capital

	2005 £000	2004 £000
<i>Authorised</i>		
20,000 ordinary shares of £1 each	<u>20</u>	<u>20</u>
<i>Allotted, called up and fully paid</i>		
10,000 ordinary shares of £1 each	<u>10</u>	<u>10</u>

7 Profit and loss account

	2005 £000	2004 £000
As at 1 April	(394)	(272)
Retained profit/(loss) for the current year	85	(122)
As at 31 March	<u>(309)</u>	<u>(394)</u>

8 Reconciliation of movements in equity shareholders' funds

	2005 £000	2004 £000
Equity shareholders' deficit at 1 April	(384)	(262)
Profit/(loss) for the financial year	85	(122)
Equity shareholders' deficit at 31 March	<u>(299)</u>	<u>(384)</u>

Notes – (continued)

9 Operating lease commitments

Future minimum rental payments under non-cancellable operating leases payable in the next year are as follows:

	2005	2004
	£000	£000
Expiring within 1 year	-	-
Expiring between 2 and 5 years	-	-
Greater than 5 years	581	581
	581	581

10 Related parties

As the company is a wholly owned subsidiary of the BBC Worldwide Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form the part of the group headed by the British Broadcasting Corporation.

The directors confirm that there are no other related party disclosures which require disclosure in these financial statements.

11 Ultimate parent undertaking

The ultimate controlling party and holding company is the British Broadcasting Corporation, which is incorporated in the United Kingdom by Royal Charter. The financial statements of the ultimate holding company, which leads the largest group in which the results of the company are consolidated, are available to the public from The Director of Governance, BBC Governance Unit, 35 Marylebone High Street, London, W1U 4AA.

The immediate parent company, which heads the smallest group in which the accounts of the company are consolidated, is BBC Worldwide Limited, the accounts of which are available from the same address.