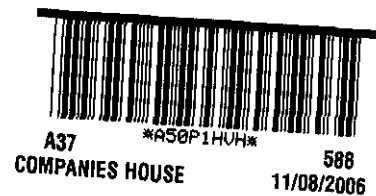


BBC Ventures Group Limited

(Registered number 4463546)

**Director's report and company
financial statements**

Year ended 31 March 2006



Officers and advisers

Director

J Smith

Company Secretary

P Ranyard

Registered office

Broadcasting House
1 Portland Place
London
W1A 1AA

Auditors

KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

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Director's report

The director presents his report and the audited financial statements for the year ended 31 March 2006.

Principal activities and review of activities

BBC Ventures Group Limited ("the Company") is the holding company for BBC Resources Limited, BBC Worldwide Limited (acquired 27 July 2005) and BBC Vecta Limited.

On 27 July 2005 BBC Commercial Holdings Limited transferred its entire shareholding of BBC Worldwide Limited to the Company for £117.3million.

On 31 July 2005 the Company sold BBC Broadcast Limited, a wholly owned subsidiary, to Macquarie Capital Alliance Group and Macquarie Bank Limited for a total consideration of £166.0million and a profit on disposal of £114.2million being recognised by the Company.

In September 2004 the Company sold BBC Technology Holdings Limited to Siemens Business Services Limited. A profit of £41.6million was recorded in 2005 after providing £21.1million for the estimated pension liability in respect of BBC Pension Scheme members transferring to Siemens Business Services Limited. During the current year the value of the pension liability was confirmed as £5.9million, resulting in a further profit of £15.2million being recognised.

Results and dividend

The results for the year are shown on page 8. Interim dividends of £98.7million were paid during the year (2005 £83.7million). No final dividend was declared (2005 £10.0million).

Directors and directors' interests

The directors who served during the year were as follows:

J Smith

The director had no interest in the share capital of the Company as at 31 March 2006. No rights to subscribe for shares or debentures of the Company or any other company within the BBC group were granted to the director or his immediate family, or exercised by him, during the financial year.

Payment to creditors

It is the Company's policy to comply with the CBI prompt payment of suppliers, provided that the supplier is complying with the relevant terms and conditions of its contract. The Group monitors compliance against the terms of this code.

Trade creditor days of the Company at 31 March 2006, calculated in accordance with the requirements of the Companies Act 1985, were 0 days (2005 0 days). This represents the ratio, expressed in days, between the amounts invoiced to the Company in the year by its (non-BBC) suppliers and the amounts due, at the year end, to trade creditors falling due for payment within one year. The Company's standard trade settlement terms are 28 days following the month of invoice.

Director's report (continued)

Employee participation

There is a comprehensive structure of liaison meetings, at all levels, with the recognised trade unions, the Broadcasting Entertainment Cinematography and Theatre Trade Union (BECTU) and the National Union of Journalists (NUJ).

Equal opportunities

The Group is committed to equal opportunities for all irrespective of race, colour, creed, ethnic or national origin, gender, marital status, sexuality, disability or age.

Recruitment, training and promotion are based on the requirements of the job. Ethnic and gender targets have been set with the aim of ensuring that the Group's workforce reflects the UK population as far as possible and are supported by a number of equal opportunity initiatives.

Training and development

The Group has a comprehensive training plan, which provides for in-house and external training programmes, covering job-specific, skill enhancement development courses.

Disabled persons

Disabled persons are fully and fairly considered for vacancies arising within the Group and are given equal opportunities in relation to training, career development and promotion.

Existing employees who become disabled are retained in employment wherever possible, after the provision of any necessary rehabilitation or training.

Charitable and political donations

The Company does not make political donations. During the year it made no charitable donations (2005 £nil).

The environment

The Group does not operate in industries where there is potential for serious industrial pollution. However, it recognises its responsibility to be aware of, and take steps to control and minimise, any damage its business might cause to the environment.

Corporate governance

As a wholly owned subsidiary of the BBC, the Group fully supports the recommendations of the Combined Code. Disclosure of how the BBC complies with the requirements of the Combined Code is given in its annual report and consolidated accounts, which may be obtained from Director of Governance at BBC Governance Unit, 35 Marylebone High Street, London, W1U 4AA.

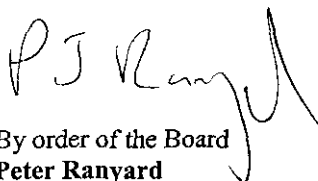
Director's report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution is to be proposed at the forthcoming annual general meeting for the re-appointment of KPMG LLP as auditors of the Company.

Statement as to disclosure of information to auditors

The director who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.


By order of the Board
Peter Ranyard
Company Secretary
18 July 2006

Registered Address
Broadcasting House
1 Portland Place
London
W1A 1AA

Statement of director's responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

Independent auditors' report to the members of BBC Ventures Group Limited

We have audited the financial statements of BBC Ventures Group Limited for the year ended 31 March 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member, 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 member 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

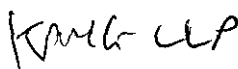
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



KPMG LLP
Chartered Accountants
Registered Auditor

1 Puddle Dock
London
EC4V 3PD

18 July 2006

Company profit and loss account for the year ended 31 March

	Note	2006 £'000	2005 £'000
Turnover		-	-
Gross profit		-	-
Administrative expenditure before exceptional provision against investment in and loans to subsidiary undertaking		2	(244)
Exceptional provision against investment in and loans to subsidiary undertaking		(3,427)	(1,861)
Total administrative expenses		(3,425)	(2,105)
Operating loss		(3,425)	(2,105)
Profit on sale of subsidiary undertaking	3	129,308	41,607
Profit on ordinary activities before interest and taxation	1	125,883	39,502
Income from shares in group undertakings		7,201	-
Other interest receivable and similar income	6	2,223	1,503
Interest payable and similar charges	6	-	(282)
Profit on ordinary activities before taxation		135,307	40,723
Tax on profit on ordinary activities	7	(2,054)	367
Profit on ordinary activities after taxation	12	133,253	41,090

There is no difference between the results as disclosed above and the results on a historical cost basis.

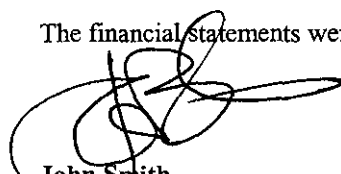
Other than the results for the year, there were no recognised gains and losses during the year.

The notes on pages 12 to 17 form part of the financial statements.

Company balance sheet
as at 31 March

	<i>Note</i>	2006 £'000	2005 £'000
Fixed assets			
Investments	8	168,300	61,000
Current assets			
Debtors (including £53,895,000 (2005 £33,061,000) due after more than one year)	9	54,210	34,964
		54,210	34,964
Creditors – amounts falling due within one year	10	(2,852)	(28,159)
Net current assets		51,358	6,805
Total assets less current liabilities		219,658	67,805
Net assets		219,658	67,805
Capital and reserves			
Called up share capital	11	168,300	61,000
Profit and loss account	12	51,358	6,805
Equity shareholder's funds	12	219,658	67,805

The financial statements were approved by John Smith, sole Director of the Company, on 18 July 2006


John Smith
Director

**Reconciliation of movements in shareholder's funds
 for the year ended 31 March**

	2006 £'000	2005 £'000
Opening equity shareholder's funds	67,805	120,415
Total recognised gains and losses for the year	133,253	41,090
New ordinary share capital issued	117,300	-
Dividends paid in the year	(98,700)	(93,700)
Net increase/(decrease) in equity shareholder's funds	151,853	(52,610)
Closing equity shareholder's funds	219,658	67,805

Statement of accounting policies

This section explains the Company's principal accounting policies which have been applied and are set out below.

Basis of accounting

The financial statements are presented in accordance with UK GAAP under the historical cost accounting convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the UK.

The Company has adopted the following applicable UK accounting standards for the first time in these financial statements.

FRS 21 (IAS 10) 'Events after the balance sheet date'. This standard requires dividends to be recorded as liabilities in the financial statements only in the period in which they are approved for payment and are no longer at the discretion of the Company. This change in accounting policy has had no impact on the profit and loss account or the balance sheet in the current or prior year as no dividends were proposed but unapproved for payment at the year end.

FRS 25 (IAS 32) 'Financial instruments – disclosure and presentation'. The presentation requirements of FRS 25 are applicable within these financial statements. Dividends are deducted directly from equity. The presentational requirements of this new standard have not otherwise impacted these financial statements.

FRS 28 'Corresponding amounts'. This has had no impact on the profit and loss account or balance sheet.

Basis of preparation

The Company is a wholly owned subsidiary of BBC Commercial Holdings Limited, which in turn is a wholly owned subsidiary of the British Broadcasting Corporation, whose accounts are publicly available. It has therefore taken advantage of the exemption available under Section 228 of the Companies Act 1985 not to prepare consolidated accounts, and of the exemption available under FRS 1 not to prepare a cash flow statement. The results disclosed are therefore those of the Company only.

Turnover

Turnover, which excludes value added tax and trade discounts, represents income from management fees levied on the subsidiary companies of BBC Ventures Group Limited.

Pension costs

The employees of the Company are eligible to participate in the BBC Group pension arrangements. The BBC Group operates both defined benefit and defined contribution schemes for the benefit of employees.

Defined benefit schemes

The defined benefit schemes provide benefits based on final pensionable pay. The pension assets of the BBC Main Scheme, to which the majority of employees belong, are held separately from those of the BBC Group.

The Company makes use of the provisions within FRS 17 and accounts for the scheme as if it were a defined contribution scheme. This is because it is unable to identify its share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. The expenditure charge for the Company therefore represents the contributions payable in the year.

Operating leases

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

Investments

Investments are recorded on the balance sheet at cost less provision for any impairment in value.

Notes to the accounts

1 Profit on ordinary activities before interest and taxation

The profit on ordinary activities before interest and taxation is stated after charging/(crediting):

	Year Ended 31 March 2006 £'000	Year Ended 31 March 2005 £'000
Payments under operating leases:		
- land and buildings	-	40
- plant and machinery	-	6
Auditors' remuneration:		
- audit	5	4
- other	-	1
Exceptional provision against investment in and loans to subsidiary undertaking		
- write back of provision against loan to subsidiary undertaking	-	(1,139)
- write off of loans to subsidiary undertaking	3,547	-
- provision against investment in subsidiary undertaking	-	3,000

2 Staff numbers and costs

2a Persons employed

The average number of persons employed in the period was:

	Year Ended 31 March 2006 £'000	Year Ended 31 March 2005 £'000
Average staff employed	-	3

2b Staff costs

	Note	Year Ended 31 March 2006 £'000	Year Ended 31 March 2005 £'000
Salaries and wages		-	150
Social security costs		-	31
Pension costs	4	-	26
		-	207

3 Profit on sale of subsidiary undertaking

	Year Ended 31 March 2006 £'000	Year Ended 31 March 2005 £'000
Profit on sale of BBC Broadcast Limited	114,153	-
Profit on sale of BBC Technology Holdings Limited	15,155	41,607
	129,308	41,607

On 31 July 2005, the Company sold BBC Broadcast Limited, a wholly owned subsidiary, for a total consideration of £166.0million to Creative Broadcast Services Limited, a company owned by Macquarie Capital Alliance Group and Macquarie Bank Limited. BBC Broadcast Limited provided playout and channel management services.

In September 2004 the Company sold BBC Technology Holdings Limited to Siemens Business Services Limited. A profit of £41.6million was recorded in 2005 after providing £21.1million for the estimated pension liability in respect of the expected number of BBC Pension Scheme members transferring to Siemens Business Services Limited. During the current year after confirmation of the actual staff transferred from BBC to the Siemens Pension Scheme the value of the pension liability was confirmed as £5.9million, resulting in a further profit of £15.2million.

Notes to the accounts (continued)

4 Pensions

Many BBC Ventures Group Limited employees were members of the BBC's pension schemes, the BBC Pension Scheme (a defined benefit scheme) and the Group Personal Pension Scheme (a defined contribution scheme).

BBC Pension Scheme

The BBC Group Pension Scheme provides salary related pension benefits on a defined benefit basis from assets held in separate, trustee-administered, funds.

The scheme is subject to independent valuation by a professionally qualified actuary at least every three years, on the basis of which the actuary certifies the rate of employer's contributions. These, together with the specified contributions payable by employees and proceeds from the scheme's assets, are expected to be sufficient to fund the benefits payable under the scheme. The most recent full actuarial valuation of the scheme was prepared as at 1 April 2005 by Watson Wyatt, consulting actuaries. At 1 April 2005, the actuarial value of the assets was sufficient to cover just over 100% of the benefits due to members, after allowing for expected future increases in earnings.

As a result of the 2005 market-based valuation by Watson Wyatt, it has been agreed between the BBC and the trustees that employer contributions will increase to 7.5% on 1 April 2006 (with employee contributions rising to 6% in Summer 2006) and then rise to 17.3% on 1 April 2007, with employee contributions rising to 7.5% on the same date. This is part of the ongoing consultation process with BBC staff on the proposed changes to the pension scheme. Ordinarily the next formal actuarial valuation would be performed on 1 April 2008, however, given the current consultation, the next formal valuation has been brought forward to 1 April 2007. The position will be reviewed again once the results of the 1 April 2007 valuation are known.

	Projected		Actual			
	2008	2007	2006	2005	2004	2003
Contribution rates	%	%	%	%	%	%
Employer	17.3	7.5	6.0	5.5	5.0	4.5
Employee	7.5	5.5/6.0	5.5	5.0	4.5	4.5

The Company, following the provisions within FRS 17, accounts for the scheme as if it were a defined contribution scheme. This is because it is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. The pension cost charged for this scheme therefore represents contributions payable by the Company to the scheme and the costs amounted to £nil in the year (2005 £5,405).

The 1 April 2005 full actuarial valuation was updated for FRS 17 purposes to 31 March 2006 by Watson Wyatt, consulting actuaries. This valuation identified a surplus on the scheme at 31 March 2006 (2005 deficit). Additional disclosure about the scheme and its financial position under FRS 17 is provided in the BBC Annual Report and Accounts that can be obtained from the Director of Governance at BBC Governance Unit, 35 Marylebone High Street, London W1U 4AA.

Group Personal Pension Scheme and other schemes

The BBC also operates its own defined contribution pension schemes, including those operated in the USA. The assets of the defined contribution scheme are held separately from those of the BBC in independently administered funds. The pension cost for this scheme represents the contributions payable during the year by the Company and totalled £nil (2005 £21,000).

Notes to the accounts (continued)

5 Remuneration of directors

	Year Ended 31 March 2006 £'000	Year Ended 31 March 2005 £'000
Aggregate emoluments	-	-
Payments to former directors	-	49
Retirement benefits accrued to directors under the following schemes:	2006 No of directors	2005 No of directors
Defined benefit schemes	-	1
Defined contribution scheme	-	1

The remuneration of the highest paid director included:

	Year Ended 31 March 2006 £'000	Year Ended 31 March 2005 £'000
Emoluments	-	-

The Company contributed £nil (2005 £21,000) to defined contribution schemes on behalf of the highest paid director during the year. The highest paid director has accrued pension benefits of £nil (2005 £2,800) per annum as at 31 March 2006 under the BBC's defined benefit scheme.

The director did not receive remuneration in respect of his duties as a director of the Company and was remunerated separately within the BBC group in relation to professional duties other than as a director of this Company.

6 Interest

	Year Ended 31 March 2006 £'000	Year Ended 31 March 2005 £'000
Interest receivable on loan to parent undertaking	1,872	1,160
Interest receivable on loans to subsidiary undertakings	278	183
Other interest receivable	73	160
Total interest receivable and other similar items	2,223	1,503
Interest payable on loan from parent undertaking	-	(223)
Other interest payable	-	(59)
Total interest payable and other similar charges	-	(282)

7 Taxation

7a Analysis of charge/(credit) for the year

The charge/(credit) for the year based on a rate of corporation tax of 30% (2005 30%) comprised:

	Year Ended 31 March 2006 £'000	Year Ended 31 March 2005 £'000
Current tax		
Group relief payment	675	750
UK corporation tax	1,373	668
Adjustments in respect of previous years	6	(41)
Prior year adjustment in respect of sale of a subsidiary	-	(1,744)
Charge/(credit) for the year	2,054	(367)

Note

7b

Notes to the accounts (continued)

7 Taxation (continued)

7b Factors affecting the tax charge/(credit)

The effective rate of tax is different from the standard rate as a result of the following:

	Note	Year Ended 31 March 2006 £'000	Year Ended 31 March 2005 £'000
Profit on ordinary activities before tax		135,307	40,723
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 30%)		40,592	12,217
Effects of:			
Non-taxable sale of trading investment		(37,186)	(11,357)
Other disallowable expenditure		30	-
Non taxable dividend income		(2,160)	-
Non taxable provision against loan/investment		772	558
Adjustment in respect of prior years		6	(41)
Prior year adjustment in respect of sale of a subsidiary		-	(1,744)
Current tax charge/(credit) for the year	<i>7a</i>	2,054	(367)

7c Factors that may affect future tax charges

The Company anticipates that the future tax charge will not alter materially.

8 Investments

8a Movements in year

	2006 £'000
Cost	
At 1 April 2005	64,000
Additions in year	117,300
Disposal of subsidiary company	(10,000)
At 31 March 2006	171,300
Provision	
At 1 April 2005 and 31 March 2006	(3,000)
Net book amount	
At 31 March 2006	168,300
At 31 March 2005	61,000

On 27 July 2005 BBC Commercial Holdings Limited transferred its entire shareholding in BBC Worldwide Limited to the Company for £117.3million. On the same day the Company issued additional share capital to settle this transaction (Note 11).

On 31 July 2005 the Company sold its investment in BBC Broadcast Limited (Note 3).

8b Subsidiary undertakings

The Company owns 100% of the issued share capital of the following companies which are incorporated in England and Wales:

	Activity
BBC Worldwide Limited	(acquisition, development, exploitation and licence and sale of media and publishing intellectual property)
BBC Resources Limited	(provision of equipment, facilities and services for use primarily in programme making and broadcasting)
BBC Vecta Limited	(discontinued operations)

Notes to the accounts (continued)

9 Debtors

Amounts receivable within one year

	2006 £'000	2005 £'000
Amounts owed by parent undertaking	53,895	30,490
Amounts owed by subsidiary undertakings	201	2,571
Other debtors	114	1,903
Total debtors due within one year	54,210	34,964

Debtors include amounts owed by the parent undertaking of £53,895,000 (2005 £30,490,000) and amounts owed by subsidiary undertakings of £nil (2005 £2,571,000) due after more than one year.

10 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Overdraft	-	19
Amounts owed to ultimate parent undertaking	-	730
Amounts owed to subsidiary undertakings	1,474	-
Corporation tax	1,373	627
Other creditors	-	24,960
Accruals and deferred income	5	1,823
Total	2,852	28,159

11 Share capital

	2006 £'000	2005 £'000
Authorised		
168,300,003 (2005 61,000,003) Ordinary shares of £1 each	168,300	61,000
Allotted, called up and full paid		
61,000,003 Ordinary share capital of £1 brought forward	61,000	124,000
117,300,000 Ordinary share capital increase	117,300	-
10,000,000 Ordinary share capital reduction	(10,000)	(63,000)
	168,300	61,000

On 27 July 2005 the Company issued at par 117,300,000 ordinary shares of £1. On the same day the Company acquired the entire share capital of BBC Worldwide Limited

On 24 August 2005 a Court Order was obtained to reduce the issued share capital of the Company from 61,000,003 to 51,000,003 ordinary shares of £1 each. This resulted in an increase in distributable reserves which was used to pay dividends following the sale of BBC Broadcast Limited.

Notes to the accounts (continued)

12 Reserves

The movements in reserves during the year were as follows:

	Share capital £'000	Profit and loss account £'000	Total £'000
Opening balances	61,000	6,805	67,805
Share capital reduction	(10,000)	10,000	-
Share capital increase	117,300	-	117,300
Profit for financial year	-	133,253	133,253
Dividends	-	(98,700)	(98,700)
At 31 March 2006	168,300	51,358	219,658

13 Related party transactions

The Company has taken advantage of the exemptions available under FRS 8 and does not disclose related party transactions with the BBC and any of its subsidiaries on the grounds that it is a wholly owned subsidiary undertaking of the BBC, whose financial statements are publicly available.

14 Ultimate holding and controlling party

The Company's immediate parent undertaking is BBC Commercial Holdings Limited. The Company's ultimate parent undertaking and controlling party is the British Broadcasting Corporation which is incorporated in the United Kingdom by Royal Charter. The largest group in which the results of the Company are consolidated is that headed by the BBC. The smallest group in which the results of the Company are consolidated is headed by BBC Commercial Holdings Limited. Copies of the financial statements of the BBC may be obtained from the Director of Governance at BBC Governance Unit, 35 Marylebone High Street, London, W1U 4AA.