

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO. SC

Sky Television Limited
(formerly Sky Television PLC)

Accounts 30 June 1994

together with directors' and auditors' reports

Registered number: 1518707



Directors and officers

The company's present directors and those who served during the year are:

| | |
|-----------------------|---|
| R.J. Brooke, ACMA MCT | (appointed 2 February 1995) |
| D. Chance | (appointed 2 February 1995) |
| S.H. Chisholm | |
| C.K. Mackenzie | (appointed 2 February 1995) |
| | |
| F. Barlow | (resigned 2 February 1995) |
| S. Barraclough | (resigned 2 February 1995) |
| M. Crepon | (resigned 2 February 1995) |
| T. Dettloff | (resigned 2 February 1995) |
| A.A. Fischer | (appointed 21 September 1993, resigned 2 February 1995) |
| A.S.B. Knight | (resigned 28 June 1994) |
| K.C. Mackenzie | (appointed 28 June 1994, resigned 12 August 1994) |
| K.R. Murdoch | (resigned 2 February 1995) |
| A. Siskind | (resigned 2 February 1995) |
| H. Staunton | (resigned 10 November 1994) |
| J. Tibbitts | (resigned 10 November 1994) |

Secretary

| | |
|-----------------------|-----------------------------|
| R.J. Brooke, ACMA MCT | (resigned 2 February 1995) |
| C.K. Mackenzie | (appointed 2 February 1995) |

Registered office

6 Centaurs Business Park
Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors

Arthur Andersen
1 Surrey Street
London
WC2R 2PS

Directors' report

For the year ended 30 June 1994

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 30 June 1994.

Change of name

The company reregistered as a private limited company on 3 June 1994 and consequentially changed its name from Sky Television PLC to Sky Television Limited ("Sky").

Principal activity and business review

Until 30 June 1994 the principal activity of the company ("Sky") continued to be the transmission of English language satellite television broadcasting services. The company broadcast three channels to viewers in the United Kingdom and the Republic of Ireland, which consisted of:

| | |
|-----------------|---|
| Sky One | A general entertainment service |
| Sky News | A 24-hour news and current affairs channel |
| Sky Movies Plus | A 24-hour pay movie channel which principally offers action, comedy, horror and adventure motion pictures plus live special events programming. |

On 30 June 1994 the company sold its trade and assets to another group company (see note 2).

Results for the year

The operating profit for the year was £24,298,000 (1993 - £48,296,000). The movement on accumulated deficit is as follows:

| | £000 |
|--|------------------|
| Accumulated deficit at beginning of year | (537,937) |
| Operating profit | 24,298 |
| Interest (net) | (26,992) |
| Accumulated deficit at end of year | <u>(540,631)</u> |

No dividends have been paid or proposed for the year.

Fixed assets

The movements in tangible fixed assets during the year are set out in note 9 to the accounts.

Directors' report (continued)

Directors and their interests

The directors of the company during the year are shown on page 1.

Except as noted below, none of the directors held any beneficial interest in the shares of the company or of any other company within the British Sky Broadcasting Group plc ("BSkyB") group ("the group") as at 30 June 1994.

Mr K.R. Murdoch, a director of the company for the period up to 2 February 1995 has a significant interest in The News Corporation Limited, and therefore in companies within The News Corporation Limited group of companies ("The News Corporation group"). The News Corporation group had certain significant contracts with the company as set out in note 20. The benefits under these contracts were assigned to, and the obligations assumed by, British Sky Broadcasting Limited following the transfer to that company of the trade and assets of the company.

Charitable and political contributions

No charitable or political contributions were made during the year (1993 - £nil).

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

It is the policy of the company to develop employee involvement throughout the organisation and to ensure that they are aware of the financial and economic factors affecting the group.

Communications meetings between management and employees' representatives are held both formally and informally, where matters of specific interest are discussed. Consultation with employees or their representatives occurs on a regular basis covering pensions and health and safety and their views are taken into consideration when making decisions. A range of training programmes is held for employees.

The group operates a profit related pay scheme for the benefit of all qualifying employees.

Auditors

The company passed an Elective Resolution on 6 April 1995 to dispense with the reappointment of auditors.

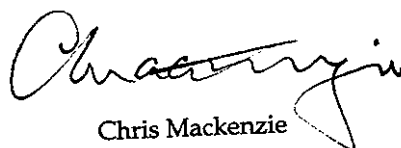
Directors' report (continued)

Liability insurance for company officers

As permitted by the Companies Act 1985 (as amended), the company has maintained insurance cover for the directors against liabilities in relation to the company.

6 Centaurs Business Park
Grant Way
Isleworth
Middlesex
TW7 5QD

By order of the Board,



Chris Mackenzie
Secretary

24 April 1995

Directors' and auditors' responsibilities

Directors' responsibilities

Company law requires the directors to prepare accounts 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 for that year. In preparing the accounts the directors are required:

- to select suitable accounting policies and then apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- to prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that these accounts comply with these requirements.

Auditors' responsibilities

Company law requires the auditors to form an independent opinion on the accounts presented by the directors based on their audit and to report their opinion to the shareholders. The Companies Act 1985 also requires auditors to report to the shareholders if the following requirements are not met:

- that the company and the group have maintained proper accounting records and that proper returns adequate for the audit have been received from branches not visited by them;
- that the accounts are in agreement with the accounting records and returns;
- that directors' emoluments and other transactions with directors are properly disclosed in the accounts; and
- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit.

Additionally, the Companies Act 1985 requires the auditors to report to the shareholders if the matters contained in the report of the directors are inconsistent with the accounts.

ARTHUR ANDERSEN

Auditors' report

London

To the Members of Sky Television Limited:

We have audited the accounts on pages 7 to 21 which have been prepared under the historical cost convention, and in accordance with the accounting policies set out on pages 9 to 11.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities for the accounts on page 5, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company at 30 June 1994 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

24 April 1995

Profit and loss account

For the year ended 30 June 1994

| | Notes | 1994 £000 | 1993 £000 |
|--|-------|--------------|--------------|
| Turnover | 3 | 187,002 | 191,513 |
| Operating expenses | 4 | (162,704) | (143,217) |
| Operating profit | | 24,298 | 48,296 |
| Interest receivable and similar income | | 1,792 | 1,050 |
| Interest payable and similar charges | 5 | (28,784) | (32,297) |
| (Loss) profit on ordinary activities before taxation | 6 | (2,694) | 17,049 |
| Taxation | 8 | - | - |
| (Loss) profit for the year | 17 | (2,694) | 17,049 |

Details of movements on reserves are shown in note 17.

The accompanying notes are an integral part of this profit and loss account.

Statement of total recognised gains and losses

For the year ended 30 June 1994

There were no recognised gains or losses other than those included within the profit and loss account.

Balance sheet

30 June 1994

| | Notes | 1994 £000 | 1993 £000 |
|--|-------|------------------|------------------|
| Fixed assets | 9 | 9,594 | 16,672 |
| Tangible assets | 10 | 50 | 50 |
| Investments | | <u>9,644</u> | <u>16,722</u> |
| Current assets | 11 | - | 46,538 |
| Stocks | 12 | 1,697,000 | 25,450 |
| Debtors: Amounts falling due after more than one year | 12 | 131,160 | 169,218 |
| Debtors: Amounts falling due within one year | | <u>1,828,160</u> | <u>241,206</u> |
| Creditors: Amounts falling due within one year | 13 | <u>(278,669)</u> | <u>(253,045)</u> |
| Net current assets (liabilities) | | <u>1,549,491</u> | <u>(11,839)</u> |
| Total assets less current liabilities | | <u>1,559,135</u> | <u>4,883</u> |
| Creditors: Amounts falling due after more than one year | 14 | (561,714) | (540,689) |
| Provisions for liabilities and charges | 15 | <u>(67)</u> | <u>(442)</u> |
| | | <u>997,354</u> | <u>(536,248)</u> |
| Capital and reserves | 16 | 807 | 807 |
| Called-up share capital | 17 | 882 | 882 |
| Share premium account | 17 | (540,631) | (537,937) |
| Profit and loss account | 17 | 1,536,296 | - |
| Other reserve | | <u>997,354</u> | <u>(536,248)</u> |

Signed on behalf of the Board
R.J. Brooke

Director

24 April 1995

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

30 June 1994

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, are:

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable financial reporting and accounting standards.

The company has taken advantage of s228 of the Companies Act 1985 and has not prepared group accounts for the year ended 30 June 1994.

Under the provisions of Financial Reporting Standard Number 1, the company has not presented a cash flow statement because its parent company, BSkyB, has prepared consolidated accounts which include the results of the company for the year and which contain a cash flow statement.

b) Turnover

Turnover, which excludes value added tax, represents the invoiced value of advertising, pay channel subscriptions, and other revenues.

c) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life. Principal annual rates used for this purpose are:

| | |
|------------------------|-----------------|
| Fixtures and fittings | 10% |
| Plant and machinery | 20% - 25% |
| Motor vehicles | 25% |
| Leasehold improvements | Period of lease |

d) Fixed asset investments

Fixed asset investments are shown at cost less amounts written off. Provisions are made for permanent reductions in value. Provisions for temporary fluctuations in value are not made.

Notes to accounts (continued)

1 Accounting policies (continued)

e) Stocks

Stocks, apart from television programme rights, are stated at the lower of cost and net realisable value.

Television programme rights are stated at cost less accumulated amortisation. Provisions are made for any programme rights which are excess to group requirements or which will not be shown for any other reason. Direct costs of own productions are included within the cost of programme rights. Programme rights, and the related liability, are recorded at cost when the programmes are available for transmission.

Contractual obligations for programme rights not yet available for transmission are not included in the cost of television programme rights but are disclosed under financial commitments, authorised and contracted for, in note 18.

Programme payments made in advance of the company having the availability to transmit the related programmes are treated as prepayments.

Amortisation is provided to write off the costs of television programme rights as follows:

| | |
|-----------------------|---|
| Current affairs | - 100% on first showing |
| General entertainment | - Reducing balance on each transmission at the following rates |
| | - 1 showing planned - 100% |
| | - 2 showings planned - 60% : 40% |
| | - 3 showings planned - 50% : 30% : 20% |
| | - 4 showings planned - 40% : 30% : 20% : 10% |
| Movies | - Straight-line basis over the period of transmission rights. Where movie rights provide for a second availability window, 10% of the cost is allocated to that window. |

The current portion of programme rights represents the estimated amount to be amortised in the next financial year. The related liabilities are classified as current or non-current in accordance with payment terms.

f) Transponder rentals

Payments made in advance to secure distribution channels on the Astra 1a satellite are recorded as prepaid transponder rentals and included in debtors. These payments are amortised, on a straight-line basis, to the profit and loss account over the ten year rental period. Rentals in respect of transponders on other Astra satellites are accounted for as they are incurred.

g) Taxation

Corporation tax payable is provided at current rates on all taxable profits.

Notes to accounts (continued)

1 Accounting policies (continued)

h) Foreign currency

Trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, if hedged, at the appropriate hedged rate.

i) Pension costs

The group provides pensions to eligible employees through the BSkyB pension plan which is a defined contribution plan. The assets of the plan are held independently of the group.

The amount charged to the profit and loss account is based on the contributions payable for one year.

j) Leases

Assets held under finance leases are treated as tangible fixed assets, depreciation is provided accordingly and the deemed capital element of future rentals is included within creditors. Deemed interest, calculated on a reducing balance basis, is charged as interest payable over the period of the lease.

The rental costs arising from operating leases are charged to the profit and loss account in the year in which they are incurred.

2 Restructuring

In order to eliminate the historic accumulated losses in the parent company (BSkyB) and to enable future earnings within the group to be distributed by way of dividends, a reorganisation of the group took place on 30 June 1994. On that date the trade and substantially all of the assets of BSkyB and Sky were sold to Precis (1265) Limited, renamed British Sky Broadcasting Limited ("new BSkyB"), for considerations of £1,913 million and £1,697 million respectively, satisfied by the issue of ordinary shares. In both BSkyB and the company the surplus of the consideration received over the book value of the assets transferred was credited directly to the "other" reserve (see note 17). Sky subsequently sold its shares in British Sky Broadcasting Limited to BSkyB for £1,697 million (see note 12).

3 Turnover

All turnover is derived from the company's sole class of business, being satellite television broadcasting, and arises principally within the United Kingdom from activities conducted from the United Kingdom.

Notes to accounts (continued)

4 Operating expenses

| | 1994 £000 | 1993 £000 |
|------------------------------------|----------------|----------------|
| Programming | 103,691 | 78,939 |
| Transmission and related functions | 14,139 | 13,815 |
| Marketing | 14,461 | 13,347 |
| Subscriber management | 13,430 | 28,481 |
| Administration | 16,983 | 8,635 |
| | <u>162,704</u> | <u>143,217</u> |

Certain costs which in the prior year were included within administration have been classified as transmission and marketing as the directors consider this more accurately reflects their nature. Accordingly, the comparative figures have been restated.

5 Interest payable and similar charges

| | 1994 £000 | 1993 £000 |
|--|---------------|---------------|
| On bank loans, overdrafts and other loans repayable within 5 years, not by instalments | 172 | 1,051 |
| On unsecured loan stock 1992/1995 (see note 13) | 18 | 42 |
| On intercompany loan note (see note 14) | 28,594 | 31,204 |
| | <u>28,784</u> | <u>32,297</u> |

6 (Loss) profit on ordinary activities before taxation

The (loss) profit on ordinary activities before taxation is stated after charging (crediting):

| | 1994 £000 | 1993 £000 |
|--|--------------|--------------|
| Depreciation | 3,013 | 6,075 |
| Auditors' remuneration | - | 75 |
| Operating lease rentals | 1,704 | 2,101 |
| Staff costs (see note 7) | 23,643 | 19,248 |
| Amounts provided against investments (see note 10) | <u>-</u> | <u>900</u> |

Auditors' remuneration for the year to 30 June 1994 was borne by the ultimate parent company.

In the year to 30 June 1994, fees paid to the auditors for non-audit services amounted to £nil (1993 - £93,000).

Notes to accounts (continued)

7 Staff costs

Employee costs (including executive directors) during the year amounted to:

| | 1994 £000 | 1993 £000 |
|-----------------------|---------------|---------------|
| Wages and salaries | 20,884 | 17,115 |
| Social security costs | 1,947 | 1,591 |
| Other pension costs | 812 | 542 |
| | <u>23,643</u> | <u>19,248</u> |

The average weekly number of persons employed by the company during the year was as follows:

| | Number | Number |
|------------------------------------|------------|------------|
| Programming | 280 | 171 |
| Transmission and related functions | 303 | 257 |
| Marketing | 47 | 30 |
| Administration | 172 | 147 |
| | <u>802</u> | <u>605</u> |

Certain of the directors are remunerated by other group companies in respect of their services to the group. No amounts are borne by the company in respect of the services of these or any of the other directors.

Pensions

The group operates a defined contribution pension scheme, contributions to which are charged to the profit and loss account on an accruals basis. The pension charge for the year represents contributions payable by the company to the fund and amounted to £812,000 (1993 - £542,000). There were no contributions payable at the year end (1993 - £nil).

Notes to accounts (continued)

8 Taxation

The tax charge for the year is £nil (1993 - £nil) since the company was able to utilise carried forward tax losses.

9 Tangible fixed assets

The movement in the year was as follows:

| | Leasehold improvements £000 | Plant and motor vehicles £000 | Fixtures and fittings £000 | Total £000 |
|---------------------------|-----------------------------------|--|----------------------------------|---------------|
| Cost | | | | |
| Beginning of year | 13,963 | 22,861 | 1,609 | 38,433 |
| Additions | 41 | 5,519 | 185 | 5,745 |
| Disposals | - | (25) | - | (25) |
| Transfer to BSkyB Limited | (1,876) | (28,355) | (1,794) | (32,025) |
| End of year | 12,128 | - | - | 12,128 |
| Depreciation | | | | |
| Beginning of year | 2,220 | 18,778 | 763 | 21,761 |
| Charge | 571 | 2,262 | 180 | 3,013 |
| Disposals | - | (5) | - | (5) |
| Transfer to BSkyB Limited | (257) | (21,035) | (943) | (22,235) |
| End of year | 2,534 | - | - | 2,534 |
| Net Book Value | | | | |
| Beginning of year | 11,743 | 4,083 | 846 | 16,672 |
| End of year | 9,594 | - | - | 9,594 |

Notes to accounts (continued)

10 Fixed asset investments

Fixed asset investments in the balance sheet represent the cost of the share capital of wholly-owned subsidiary undertakings, less provisions made for permanent reductions in value.

Details of the principal subsidiary undertakings of the company are as follows:

| Name | Country of registration | Description and proportion of shares held (%) | Principal activity |
|---------------------------------|-------------------------|--|--|
| Tele-Aerials Satellite Limited* | England and Wales | 1,176 ordinary shares of £1 each and 400,000 deferred shares of £1 each (100%) | The installation and maintenance of satellite television receiving equipment |

* Indirect holding

Investment in subsidiary undertakings:

| | 1994 £000 | 1993 £000 |
|-------------------|--------------|--------------|
| Cost | 2,126 | 1,176 |
| Beginning of year | - | 950 |
| Addition | <u>2,126</u> | <u>2,126</u> |
| End of year | | |
| Provisions | 2,076 | 1,176 |
| Beginning of year | - | 900 |
| Provisions | <u>2,076</u> | <u>2,076</u> |
| End of year | <u>50</u> | <u>50</u> |
| Net book value | | |

The addition in the prior year relates to a further investment of £950,000 in Precis (1043) Limited. The provision made during the prior year relates to this investment.

Notes to accounts (continued)

11 Stocks

| | 1994 £000 | 1993 £000 |
|-------------------------------|--------------|---------------|
| Television programme rights | - | 46,481 |
| Raw materials and consumables | - | 57 |
| | <u>-</u> | <u>46,538</u> |

12 Debtors

Amounts falling due within one year:

| | 1994 £000 | 1993 £000 |
|--|----------------|----------------|
| Trade debtors | - | 22,665 |
| Amounts due from subsidiary undertakings | 4,661 | 7,093 |
| Amounts due from parent company | 124,513 | 125,373 |
| Amounts due from related parties | - | 287 |
| Due from associated companies of BSkyB | 1,986 | - |
| VAT | - | 663 |
| Programme prepayments | - | 4,962 |
| Other prepayments and accrued income | - | 2,643 |
| Prepaid transponder rentals | - | 5,532 |
| | <u>131,160</u> | <u>169,218</u> |

Amounts falling due after more than one year:

| | | |
|---------------------------------|------------------|---------------|
| Prepaid transponder rentals | - | 25,450 |
| Amounts due from parent company | 1,697,000 | - |
| | <u>1,697,000</u> | <u>25,450</u> |

The amount due from the parent company falling due after more than one year relates to the amount due for the sale of Sky's shares in British Sky Broadcasting Limited as part of the group restructuring (see note 2).

No interest is charged on amounts due from the parent company or subsidiary undertakings.

Notes to accounts (continued)

13 Creditors: Amounts falling due within one year

| | 1994 £000 | 1993 £000 |
|--|----------------|----------------|
| Unsecured loan stock 1992/1995 | - | 500 |
| Bank loans and overdrafts | 8,446 | 155,621 |
| Trade creditors | 46,371 | 24,573 |
| Amounts due to related parties | 13,107 | 14,518 |
| Transponder loan due to News International plc (see note 14) | 7,569 | 7,569 |
| Amounts due to subsidiary undertakings | - | 29,787 |
| Amounts due to group companies | 176,789 | - |
| VAT | 4,000 | - |
| Other creditors | 2,844 | 2,553 |
| Accruals and deferred income | 19,543 | 17,924 |
| | <u>278,669</u> | <u>253,045</u> |

The bank loans and overdrafts balance shown above is part of the group's arrangements with Midland Bank and is set off against cash held elsewhere in the group. No interest is payable to other group undertakings in respect of these arrangements.

No interest is charged on the amounts due to subsidiary undertakings.

14 Creditors: Amounts falling due after more than one year

| | 1994 £000 | 1993 £000 |
|--|----------------|----------------|
| 'A' convertible unsecured loan stock 1997 | 125,700 | 125,700 |
| Transponder loan due to News International plc | 22,705 | 30,274 |
| Amounts due to parent company | - | 384,715 |
| Amounts due to group companies | 413,309 | - |
| | <u>561,714</u> | <u>540,689</u> |

Amounts due to group companies relate to an intercompany loan from BSkyB Finance Limited of £353,511,000 and the related accrued interest which is charged at a rate of 1.5% above base rate and compounds semi annually. This loan and accrued interest was bought from BSkyB by BSkyB Finance Limited on 24 June 1994. Hence the loan was due to the parent company until this date.

Notes to accounts (continued)

14 Creditors: Amounts falling due after more than one year (continued)

The transponder loan due to News International plc is repayable in eight equal annual instalments of £7,568,750, which commenced in May 1991. No interest accrues on this loan.

The convertible unsecured loan stock 1997 can be converted (at the option of the holder) into fully-paid ordinary shares in the company at the rate of one share for every £10 nominal of convertible unsecured loan stock held. No interest is payable on this stock, which is held by another group undertaking.

15 Provisions for liabilities and charges

Provisions for liabilities and charges comprise provisions set up at the acquisition of the company by BSkyB. The movement during the year was as follows:

| | 1994 £000 | 1993 £000 |
|-------------------|--------------|--------------|
| Beginning of year | 442 | 745 |
| Utilised | (375) | (303) |
| End of year | <u>67</u> | <u>442</u> |

16 Called-up share capital

| | 1994 £000 | 1993 £000 |
|---|---------------|---------------|
| <i>Authorised</i> | | |
| 25,000,000 ordinary shares of £1 each | <u>25,000</u> | <u>25,000</u> |
| <i>Allotted, called-up and fully-paid</i> | | |
| 807,000 ordinary shares of £1 each | <u>807</u> | <u>807</u> |

Notes to accounts (continued)

17 Reconciliation of movement on shareholders' funds

| | Share capital £000 | Share premium account £000 | Profit and loss account £000 | Other reserve £000 | Total shareholders' funds £000 |
|--|--------------------------|-------------------------------------|---------------------------------------|--------------------------|---|
| As at 1 July 1992 | 807 | 882 | (554,986) | - | (553,297) |
| Profit for the year | - | - | 17,049 | - | 17,049 |
| As at 30 June 1993 | 807 | 882 | (537,937) | - | (536,248) |
| Loss for the year | - | - | (2,694) | - | (2,694) |
| Surplus arising on transfer of trade and assets to new BSkyB (note 2) | - | - | - | 1,536,296 | 1,536,296 |
| As at 30 June 1994 | 807 | 882 | (540,631) | 1,536,296 | 997,354 |

18 Guarantees and other financial commitments

| <i>Future expenditure</i> | 1994 £000 | 1993 £000 |
|---|--------------|--------------|
| Contracted for but not provided for in the accounts | | |
| - television programme rights | - | 383,611 |

No commitment is shown for the company in respect of television programme rights since the beneficial rights and obligations were transferred on 30 June 1994 to new BSkyB (see note 2).

Television programme rights commitments were in respect of unavailable programmes, the majority of which were payable in US dollars and were for periods of up to fifteen years.

Lease commitments

The company leases certain land and buildings on short and long-term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases.

Contingent liabilities

The company and certain other group undertakings have given joint and several guarantees in relation to the group's £500 million Revolving Credit Facility which was drawn down at year end and the group's £400 million facility which was drawn down subsequent to the year end.

Notes to accounts (continued)

18 Guarantees and other financial commitments (continued)

The minimum annual rentals under these leases are as follows:

| | Property £000 | Plant and machinery £000 |
|-------------------------------|------------------|--------------------------------|
| 30 June 1994 | | |
| Operating leases which expire | | |
| - within 1 year | - | - |
| - within 2-5 years | - | - |
| - after 5 years | 864 | - |
| | <u>864</u> | <u>-</u> |
| 30 June 1993 | | |
| Operating leases which expire | | |
| - within 1 year | 65 | - |
| - within 2-5 years | 155 | 583 |
| - after 5 years | 1,214 | - |
| | <u>1,434</u> | <u>583</u> |

19 Litigation

The following legal proceedings are pending or threatened against Sky and its former subsidiary undertaking:

- i) Cranleigh Aerials & Satellite Limited ("Cranleigh") have issued proceedings against Sky Subscribers Services Limited ("SSSL") for alleged breaches of an agreement under which Cranleigh agreed to install receiving equipment and service the customer base. Cranleigh seeks damages including loss of profit. SSSL has brought counterclaims against Cranleigh totalling approximately £1.3 million.
- ii) Ferguson Limited have brought proceedings against the company for breach of a contract to purchase integrated receiver decoders. Sky has a counterclaim in respect of defective decoders supplied by Ferguson.

Notes to accounts (continued)

19 Litigation (continued)

The directors of Sky are vigorously resisting these pending or threatened claims, which in aggregate could amount to in excess of £10 million. The directors have taken legal advice on both of the above disputes and are of the opinion that no material liability should arise as a result of these claims.

20 Related party transactions

Prior to the transfer of its trade the company conducted business transactions on a normal commercial basis with, and received a number of services from, shareholder companies of BSkyB, or members of their groups.

A number of transactions were conducted with members of The News Corporation group. These companies included 20th Century Fox and News Datacom Limited ("NDC"), with which Sky had material contracts. 20th Century Fox supplied programming with a value of £10.4 million to the group in the year (1993 - £7.1 million), the majority of which was supplied under arrangements which were extended to December 2004, with a variable annual value dependent on the number of films supplied. NDC supplied smart cards and encryption services to the group with a value of £22.7 million in the year (1993 - £15.8 million) under a contract extending to 2004. The beneficial rights and obligations under these contracts were transferred on 30 June 1994 to new BSkyB (see note 2). The company also made repayments on a loan provided in respect of transponders on the Astra 1a satellite.

Certain other related party transactions were entered into with BSkyB shareholders, also in the normal course of business. These included advertising by the company in media owned by BSkyB shareholders, and also BSkyB shareholders advertising on the company's satellite channels, the collection of subscriptions and the management of SSSL's former rental database by Granada UK Rental and Retail Limited, and acquisition of programmes from Thames Television, a subsidiary of Pearson, and Guild, a subsidiary of Chargeurs.

21 Ultimate parent company

The company is a subsidiary undertaking of British Sky Broadcasting Group plc, a company registered in England and Wales.

The only group in which the results of the company are consolidated is that headed by British Sky Broadcasting Group plc. The consolidated accounts of this group are available to the public and may be obtained from The Secretary, British Sky Broadcasting Group plc, 6 Centaurs Business Park, Grant Way, Isleworth, Middlesex, TW7 5QD.