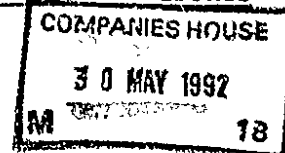


SKY TELEVISION PLC GROUP  
=====

ACCOUNTS FOR THE 37 WEEKS ENDED 30 JUNE 1991

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

1518707



The company's registered number is 1518707.

SKY TELEVISION PLC GROUP

DIRECTORS:

The following served as directors during the period-

K.R. Murdoch (Chairman)

S.H. Chisholm (appointed 1 November 1990)

A.A. Fischer (appointed 11 February 1991)

A.S.B. Knight (appointed 11 February 1991)

J.D. Dux (alternate to A.A. Fischer - appointed 11 February 1991)

G.W. Richards (alternate to A.S.B. Knight - appointed 11 February 1991)

P.W. Stehrenberger (alternate to S.H. Chisholm - appointed 11 February 1991)

A.F. Neil (resigned 11 February 1991)

P. Mastandrea (resigned 11 February 1991)

G.D. Davey (Managing Director - resigned and appointed alternate to K.R. Murdoch  
11 February 1991)

C.J. Allwood (resigned 11 February 1991)

S.M. Till (resigned 11 February 1991)

D.J. Montgomery (resigned 11 February 1991)

M. Ruda (resigned 11 February 1991)

R.H. Searby (resigned 11 February 1991)

Sir James Cruthers (resigned 11 February 1991)

SECRETARY:

E. Rogers

REGISTERED OFFICE:

PO Box 495

Virginia Street

London

E1 9XY

# SKY TELEVISION PLC GROUP

## DIRECTORS' REPORT

FOR THE 37 WEEKS ENDED 30 JUNE 1991

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the 37 weeks ended 30 June 1991. Comparative information is for the 15 weeks ended 13 October 1990.

On 4 October 1991 the company changed its accounting reference date from 13 October to 30 June.

### PRINCIPAL ACTIVITY AND BUSINESS REVIEW:

At 30 June 1991 the principal activity of the group ("Sky") continued to be the transmission of an English language satellite television broadcasting service.

The group commenced its multi-channel broadcasting activities on the Astra 1A satellite in February 1989.

On 3 November 1990, the interests of News International plc in the share capital and loan stock of the company were acquired by British Satellite Broadcasting Limited ("BSB"), subsequently renamed British Sky Broadcasting Limited ("BSkyB") on 19 December 1990.

Following the acquisition of Sky by BSkyB, the majority of the group's database of satellite television receiving equipment rental and hire purchase customers, and related assets, were sold to Granada UK Rental and Retail Limited.

Further, in February 1991 the EC Commission ruled that the arrangements in place in respect of the Eurosport channel were in contravention of Article 85(1) of the Treaty of Rome and consequently Sky ended its involvement with the channel on 6 May 1991.

Losses and write-offs totalling approximately £121 million associated with these events have been recorded in the period as an exceptional item.

The expanded group of companies now broadcasts six channels simultaneously on both Astra and Marcopolo satellites.

## DIRECTORS' REPORT (Continued)

### FINANCIAL POSITION OF THE GROUP:

At 30 June 1991, the group had net liabilities of £517,984,000 and an accumulated deficit of £519,673,000.

As explained in Note 23, the shareholders of BSKyB have entered into an agreement to provide further funds to the group.

### GROUP RESULTS FOR THE PERIOD:

The group operating loss for the period was £224,096,000 (15 weeks ended 13 October 1990 - £59,102,000).

The movement on accumulated deficit is as follows-

	£000
Accumulated deficit at beginning of period	(296,955)
Loss for the period before exceptional items and interest	(102,922)
Exceptional items	(121,174)
Interest (net)	1,378
	-----
Accumulated deficit at end of period	(519,673)
	=====

No dividends have been paid or proposed for the period.

### FIXED ASSETS:

The movements in tangible fixed assets during the period are set out in Note 10 to the accounts.

### DIRECTORS AND THEIR INTERESTS:

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

None of the directors has any beneficial interest in the shares of the company or of any other company within the BSKyB group.

### SUBSTANTIAL SHAREHOLDINGS:

At 30 June 1991, BSKyB held ordinary shares and convertible stock in the company, acquired from News International plc on 3 November 1990, which carry more than 5 per cent of the votes exercisable in general meeting. The interests of BSKyB at 30 June 1991 were as follows-

Number of 'A' ordinary shares of £1 each	734,532
	=====
'A' convertible unsecured loan stock	£120,838,978
	=====
Voting rights in general meeting as a percentage of total voting rights (95.82% following full conversion of all loan stock)	95.55%
	=====

## DIRECTORS' REPORT (Continued)

### SUBSTANTIAL SHAREHOLDINGS (Continued):

An offer was made on 19 November 1991 to the minority shareholders of the company. On 23 December 1991, the closing date for the offer, acceptances had been received from more than 90% of the minority shareholders and accordingly the offer was declared unconditional. As a result of the offer, in due course BSKyB will own all the share capital and convertible loan stock of the company.

### CHARITABLE AND POLITICAL CONTRIBUTIONS:

No charitable or political contributions were made during the period (1990 - 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 group continues and that appropriate training is arranged. It is the policy of the group 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 group to develop employee involvement throughout the organisation and to ensure that they are aware of the financial and economic factors affecting the company and its subsidiary undertakings.

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.

### AUDITORS:

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen (formerly Arthur Andersen & Co.) as auditors for the ensuing year.



BY ORDER OF THE BOARD,

Sam Chisholm  
Director

30 April 1992

2010年10月10日

- 5 -

SKY TELEVISION PLC GROUP

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE 37 WEEKS ENDED 30 JUNE 1991

	<u>Notes</u>	37 weeks ended 30 June 1991 £000	15 weeks ended 13 October 1990 £000
TURNOVER	2	102,806	30,953
Cost of sales		(164,026)	(68,386)
GROSS LOSS		(61,220)	(37,433)
Other operating expenses (net)	3	(41,702)	(13,841)
OPERATING LOSS BEFORE EXCEPTIONAL ITEMS		(102,922)	(51,274)
Exceptional items	4	(121,174)	(7,828)
OPERATING LOSS		(224,096)	(59,102)
Interest receivable and similar income	5	1,657	1,117
Interest payable and similar charges	6	(279)	(2,276)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	7	(222,718)	(60,261)
Taxation	9	-	105,350
RETAINED (LOSS) PROFIT FOR THE PERIOD	18	(222,718) =====	45,089 =====

Details of movements on reserves are shown in Note 18.

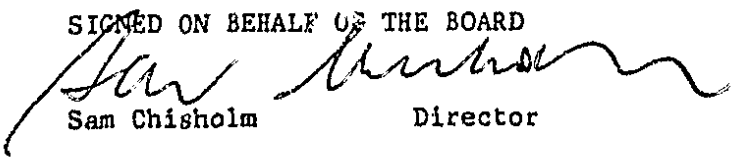
The accompanying notes are an integral part of this profit and loss account.

SKY TELEVISION PLC GROUP

CONSOLIDATED BALANCE SHEET -- 30 JUNE 1991

	<u>Notes</u>	<u>30 June</u> <u>1991</u> <u>£000</u>	<u>13 October</u> <u>1990</u> <u>£000</u>
<b>FIXED ASSETS</b>			
Tangible assets	10	31,850	169,125
Investments	11	19	16
		<u>31,869</u>	<u>169,141</u>
<b>CURRENT ASSETS</b>			
Stocks	12	46,800	61,290
Debtors	13	90,214	122,076
Cash at bank and in hand		2,521	29,787
		<u>139,535</u>	<u>213,153</u>
CREDITORS: Amounts falling due within one year	14	(512,840)	(551,360)
NET CURRENT LIABILITIES		<u>(373,305)</u>	<u>(338,207)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(341,436)</u>	<u>(169,066)</u>
CREDITORS: Amounts falling due after more than one year	15	(171,612)	(126,200)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(4,936)	-
		<u>(517,984)</u>	<u>(295,266)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	17	807	807
Share premium account	18	882	882
Profit and loss account	18	(519,673)	(296,955)
		<u>(517,984)</u>	<u>(295,266)</u>

SIGNED ON BEHALF OF THE BOARD

  
Sam Chisholm

Director

30 April 1992

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



SKY TELEVISION PLC

BALANCE SHEET -- 30 JUNE 1991

	<u>Notes</u>	<u>30 June 1991 £000</u>	<u>13 October 1990 £000</u>
<b>FIXED ASSETS</b>			
Tangible assets	10	26,210	29,130
Investments	11	51	1,109
		<u>26,261</u>	<u>30,239</u>
<b>CURRENT ASSETS</b>			
Stocks	12	46,487	60,890
Debtors	13	72,037	165,676
Cash at bank and in hand		143	-
		<u>118,667</u>	<u>226,566</u>
CREDITORS: Amounts falling due within one year	14	(521,509)	(378,956)
NET CURRENT LIABILITIES		<u>(402,842)</u>	<u>(152,390)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(376,581)</u>	<u>(122,151)</u>
CREDITORS: Amounts falling due after more than one year	15	(171,612)	(126,200)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(745)	-
		<u>(548,938)</u>	<u>(248,351)</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	17	807	807
Share premium account	18	882	882
Profit and loss account	18	(550,627)	(250,040)
		<u>(548,938)</u>	<u>(248,351)</u>

SIGNED ON BEHALF OF THE BOARD

Sam Chisholm                      Director

30 April 1992



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

SKY TELEVISION PLC GROUP

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE 37 WEEKS ENDED 30 JUNE 1991

	37 weeks ended 30 June 1991 £000	15 weeks ended 13 October 1990 £000
<b>SOURCE OF FUNDS</b>		
(Loss) profit on ordinary activities after taxation	(222,718)	45,089
Items not involving cash flow during the period		
- depreciation	29,517	30,748
- provision for accelerated depreciation	63,719	-
- loss on disposal of fixed assets	26,753	-
- profit retained in associated company after taxation	(3)	3
- increase in provisions for liabilities and charges	4,936	-
Total funds (absorbed) generated by operations	(97,796)	75,840
Proceeds from disposal of tangible fixed assets	43,317	-
Decrease in debtors due after more than one year	19,615	5,559
Increase in creditors due after more than one year	45,412	-
Increase in net current liabilities, as shown below	15,483	-
	26,031	81,399
	=====	=====
<b>APPLICATION OF FUNDS</b>		
Purchase of tangible fixed assets	26,031	43,604
Purchase of Tele-Aerials Satellite Limited	-	901
Decrease in net current liabilities, as shown below	-	36,894
	26,031	81,399
	=====	=====
<b>INCREASE (DECREASE) IN NET CURRENT LIABILITIES</b>		
Stocks	14,490	2,311
Debtors	12,247	72
Creditors falling due within one year, excluding bank loans and overdrafts	24,352	(50,878)
Foreign exchange attributable to monetary assets and liabilities of overseas subsidiary undertakings	-	181
	51,089	(48,314)
Movement in net liquid funds		
- cash at bank and in hand	27,266	(18,855)
- bank loans and overdrafts	(62,872)	30,275
	15,483	(36,894)
	=====	=====

The accompanying notes are an integral part of this statement.

## SKY TELEVISION PLC GROUP

### NOTES TO ACCOUNTS -- 30 JUNE 1991

#### 1. ACCOUNTING POLICIES:

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

##### a) Basis of accounting

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

The company has taken advantage of the exemption in s.230 of the Companies Act 1985 not to present its own profit and loss account. The company's loss for the period is disclosed in Note 18.

##### b) Basis of consolidation

The group accounts, are made up to 30 June 1991 and consolidate the accounts of Sky Television PLC and all its subsidiary undertakings.

In the company's accounts, investments in subsidiary undertakings are stated at cost less amounts written off. No dividends have been paid by the subsidiary undertakings.

Satellite Sport Services Limited, a company in which Sky has an interest of 50% of the voting capital and over which it exerts significant influence is treated as an associated undertaking and accounted for under the equity method.

##### c) Turnover

Turnover, which excludes value added tax, represents the invoiced value of advertising, movie subscriptions, equipment rental and other revenues.

##### d) Cost of sales

Cost of sales represents the cost of broadcasting the satellite television channels, including transmission costs, programme costs and depreciation of technical equipment. Depreciation of capitalised satellite television receiving equipment is also included within cost of sales.

##### e) Fixed assets

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-

Furniture and fittings	- 10% - 25%
Plant and machinery	- 5% - 33%
Motor vehicles	- 25%
Leasehold improvements	- 4%
Satellite television receiving equipment	- 33%

## NOTES TO ACCOUNTS (Continued)

### 1. ACCOUNTING POLICIES (Continued):

#### f) 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 and the cost becomes payable under contract terms.

Contractual obligations for programme rights not yet available for transmission are not included in the cost of television programme rights but are disclosed under capital commitments, authorised and contracted for, in Note 19.

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

Sports and 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.

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

#### g) Prepaid transponder rentals

Payments made in advance to secure distribution channels on the Astra 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.

#### h) Taxation

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

Losses are surrendered between companies in the Sky Television PLC group for no consideration. Prior to 3 November 1990, credit was taken for amounts received for losses surrendered to other companies in the News International plc group in the period in which the surrender took place.

No credit is recognised for losses carried forward.

## NOTES TO ACCOUNTS (Continued)

### 1. ACCOUNTING POLICIES (Continued):

#### i) Foreign currency

Trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end.

#### j) Pension costs

Certain employees of the group are members of the News International plc pension scheme. The scheme is a defined contribution pension scheme and contributions to the scheme are charged to the profit and loss account on an accruals basis.

#### k) Leases

Rentals payable under operating leases are charged to the profit and loss account in the period in which they are incurred.

### 2. SEGMENT INFORMATION:

All turnover is derived from the group's sole class of business, being satellite television broadcasting together with certain ancillary functions, and arises within the United Kingdom from activities conducted from the United Kingdom.

### 3. OTHER OPERATING EXPENSES (NET):

	37 weeks ended 30 June 1991 £000	15 weeks ended 13 October 1990 £000
Selling and marketing costs	10,648	6,999
Administrative expenses	31,054	6,842
	<hr/>	<hr/>
	41,702	13,841
	=====	=====

# NOTES TO ACCOUNTS (Continued)

## 4. EXCEPTIONAL ITEMS:

Details of exceptional items are as follows-

	37 weeks ended 30 June 1991 £000	15 weeks ended 13 October 1990 £000
Write-down of satellite television receiving equipment and associated costs	105,142	-
Write-down of loans due from sales and installation companies	4,366	7,828
Other provisions and asset write-downs	11,666	-
	<u>121,174</u>	<u>7,828</u>
	=====	=====

Following the acquisition by BSkyB of the interests of News International plc in the share capital and loan stock of the company, the majority of the group's satellite television receiving equipment rental and hire purchase customer database and related assets were sold to Granada UK Rental and Retail Limited, a related party, on 15 May 1991 for consideration of approximately £25 million. Further amounts of the order of £19 million were received for the sale of equipment back to manufacturers or to third parties. A loss of some £25 million was recorded in respect of these sales.

In addition to this loss, further write-offs of equipment of approximately £64 million were recorded and amounts of the order of £11 million were paid in order to terminate contractual commitments for equipment. Further costs of some £5 million have also been provided for.

Some £5 million of the loss on sales and some £25 million of the write-offs of equipment were recorded in respect of a decision taken to write-off the cost of decoders. Prior to April 1991, decoders were supplied free to movie subscribers.

At 30 June 1991, following the sale of the majority of the group's satellite television receiving equipment rental and hire purchase customer database, and related assets, the group no longer used sales or installation companies and accordingly a provision has been recorded to write off the balance of loans due from installation and sales companies of £4,366,000.

# NOTES TO ACCOUNTS (Continued)

## 4. EXCEPTIONAL ITEMS (Continued):

A number of further provisions have been recorded against the carrying value of assets in the consolidated balance sheet of Sky at 3 November 1990, or to provide for future costs associated with decisions made at the time of the acquisition of Sky by BSkyB. These include a provision of £4 million for the estimated future losses of Tele-Aerials Satellite Limited, an equipment installation subsidiary undertaking of the company, as a decision was taken consequent upon the acquisition to dispose of the group's interest in this company; a programme asset write-down of approximately £2 million for programmes which are now surplus to the group's requirements, and a £1.2 million provision for redundancy payments to former Sky staff.

A provision of £2.9 million has also been made in connection with the closure of the Eurosport channel.

## 5. INTEREST RECEIVABLE AND SIMILAR INCOME:

	37 weeks ended 30 June 1991 £000	15 weeks ended 13 October 1990 £000
Interest receivable on Eurosport loan (see Note 13)	639	411
Other interest receivable and similar income	1,018	706
	<u>1,657</u>	<u>1,117</u>
	=====	=====

## 6. INTEREST PAYABLE AND SIMILAR CHARGES:

	37 weeks ended 30 June 1991 £000	15 weeks ended 13 October 1990 £000
On bank loans, overdrafts and other loans repayable within 5 years, not by instalments	227	2,255
On unsecured loan stock 1992/1995 (see Note 15)	52	21
	<u>279</u>	<u>2,276</u>
	=====	=====

# NOTES TO ACCOUNTS (Continued)

## 7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION:

The loss on ordinary activities before taxation is stated after charging-

	37 weeks ended 30 June 1991 £000	15 weeks ended 13 October 1990 £000
Depreciation	29,517	30,748
Auditors' remuneration	50	-
Rent payable on short term leases	849	334
Staff costs (see Note 8)	15,340	8,090
	=====	=====

The auditors' remuneration for the 15 weeks ended 13 October 1990 was borne by News International plc.

In addition to the above, at 30 June 1991 exceptional provisions have been recorded for redundancy costs (£1.2 million) and for accelerated depreciation of fixed assets (£63.7 million).

## 8. STAFF COSTS:

Employee costs, including executive directors, during the period amounted to-

	37 weeks ended 30 June 1991 £000	15 weeks ended 13 October 1990 £000
Wages and salaries	13,720	7,163
Social security costs	1,203	776
Other pension costs	417	151
	-----	-----
	15,340	8,090
	=====	=====

Redundancy payments of £1.2 million, which are treated as exceptional, have not been included in the above analysis.

The average weekly number of persons employed by the group during the period was as follows-

	<u>Number</u>	<u>Number</u>
Production	496	593
Transmission	29	27
Sales and marketing	64	59
Subscriber services	174	145
Administration	198	177
	-----	-----
	961	1,001
	=====	=====



# NOTES TO ACCOUNTS (Continued)

## 8. STAFF COSTS (Continued):

Directors' remuneration is as shown below-

	£000	£000
Fees as directors	-	-
Other emoluments (including pension contributions)	186	90
	-----	-----
	186	90
	=====	=====

The directors' remuneration shown above included-

	37 weeks ended 30 June 1991 £000	15 weeks ended 13 October 1990 £000
Chairman	-	-
	=====	=====
Highest paid director	95	46
	=====	=====

Directors received emoluments (excluding pension contributions) in the following ranges-

	<u>Number</u>	<u>Number</u>
Up to £ 5,000	10	7
£ 10,001 - £ 15,000	-	1
£ 25,001 - £ 30,000	1	1
£ 45,001 - £ 50,000	-	1
£ 55,001 - £ 60,000	1	-
£ 95,001 - £100,000	1	-
	-----	-----
	13	10
	===	===

Mr. K.R. Murdoch, chairman of the company, has a significant interest in The News Corporation Limited, and therefore in companies within The News Corporation group. These companies include 20th Century Fox and News Gem Smart Card International Limited ("News Gem"), an associated company of The News Corporation group. Sky has material contracts with these companies. 20th Century Fox supplied programming with a value of £2.7 million in the period 3 November 1990 to 30 June 1991, under a contract which extends to November 1993, with a variable annual value dependent on the number of films supplied, and News Gem supplied smart cards with a value of £10 million in the same period under a contract extending into 1995.

## Pensions-

Certain employees of the group are members of the News International plc pension scheme. The scheme is a defined contribution pension scheme. The pension charge for the period represents contributions payable by the group to the fund and amounted to £417,000 (15 weeks ended 13 October 1990 - £151,000). Contributions totalling £280,000 (15 weeks ended 13 October 1990 - £1,000) were payable at the period end and are included in creditors.

# NOTES TO ACCOUNTS (Continued)

## 9. TAXATION:

The tax credit in the prior period was based upon group relief payments received in the period and comprised-

	37 weeks ended 30 June 1991 £000	15 weeks ended 13 October 1990 £000
Payment received for current period and prior year losses surrendered to News International plc	- =====	105,350 =====

The company and group incurred tax losses in the period and have accumulated tax losses at 30 June 1991. Where permitted by legislation these losses may be surrendered as group relief to consortium members.

## 10. TANGIBLE FIXED ASSETS:

Group-

The movement in the period was as follows-

	Leasehold improvements £000	Plant and motor vehicles £000	Satellite television receiving equipment £000	Fixtures and fittings £000	Total £000
<b>COST-</b>					
Beginning of period	14,624	25,719	179,316	2,520	222,179
Additions	129	2,285	23,140	477	26,031
Disposals	(6)	(1,501)	(86,229)	(129)	(87,865)
End of period	14,747	26,503	116,227	2,868	160,345
<b>DEPRECIATION-</b>					
Beginning of period	777	6,731	45,266	280	53,054
Charge	500	3,837	24,857	323	29,517
Disposals	(1)	(154)	(17,615)	(25)	(17,795)
Exceptional provision	-	-	63,719	-	63,719
End of period	1,276	10,414	116,227	578	128,495
<b>NET BOOK VALUE</b>					
Beginning of period	13,847	18,988	134,050	2,240	169,125
End of period	13,471	16,089	-	2,290	31,850

Following the acquisition by BSkyB, the majority of the group's satellite television receiving equipment rental and hire purchase customer database, and related assets, were sold to Granada UK Rental and Retail Limited. The remaining satellite television receiving equipment balance has been provided for in full as the directors consider that these assets have no continuing value to the group.

# NOTES TO ACCOUNTS (Continued)

## 10. TANGIBLE FIXED ASSETS (Continued):

Company--

The movement in the period was as follows--

	<u>Leasehold improvements</u> £000	<u>Plant and motor vehicles</u> £000	<u>Fixtures and fittings</u> £000	<u>Total</u> £000
<b>COST--</b>				
Beginning of period	13,703	21,223	1,475	36,401
Additions	5	1,677	166	1,848
Disposals	-	(1,202)	(13)	(1,215)
End of period	13,708	21,698	1,628	37,034
<b>DEPRECIATION--</b>				
Beginning of period	750	6,290	231	7,271
Charge	363	3,200	112	3,675
Disposals	-	(120)	(2)	(122)
End of period	1,113	9,370	341	10,824
<b>NET BOOK VALUE</b>				
Beginning of period	12,953	14,933	1,244	29,130
End of period	12,595	12,328	1,287	26,210

## 11. FIXED ASSET INVESTMENTS:

Fixed asset investments in the company balance sheet represent the cost of the share capital of wholly owned subsidiary undertakings.

Details of the subsidiary undertakings which principally affected the results and net assets of the group are as follows--

<u>Name</u>	<u>Country of registration</u>	<u>Description and proportion of shares held (%)</u>	<u>Principal activity</u>
Satellite Sport Sales Limited	England	100 ordinary shares of £1 each (100%)	Selling advertising space on Eurosport channel (now inactive)
Sky Subscribers Services Limited	England	2 ordinary shares of £1 each (100%)	Providing ancillary functions supporting the satellite television broadcasting operations of Sky and BSkyB

# NOTES TO ACCOUNTS (Continued)

## 11. FIXED ASSET INVESTMENTS (Continued):

### Investment in subsidiary undertakings-

	30 June 1991 £000	13 October 1990 £000
COST-		
Beginning of period	1,109	109
Additions	-	1,000
Provision	(1,058)	-
	-----	-----
End of period	51	1,109
	=====	=====

### Investment in associated undertaking-

Sky holds 50 ordinary shares of £1 each (representing a 50% interest) in Satellite Sport Services Limited. The fixed asset investments balance in the consolidated balance sheet includes £19,000 (13 October 1990 - £16,000) for the group's share of the profit retained in this company. An amount receivable for cash advances made to this company is included in debtors.

## 12. STOCKS:

### Stocks comprise-

	<u>Group</u>		<u>Company</u>	
	30 June 1991 £000	13 October 1990 £000	30 June 1991 £000	13 October 1990 £000
Television programme rights	46,467	60,855	46,467	60,855
Raw materials and consumables	333	435	20	35
	-----	-----	-----	-----
	46,800	61,290	46,487	60,890
	=====	=====	=====	=====

Substantially all of the existing television programme rights at 30 June 1991 will be amortised within one year.

At 13 October 1990, approximately £10,316,000 of programme prepayments were classified within stocks. At 30 June 1991 the programme prepayment balance of £6,544,000 has been classified within debtors.

NOTES TO ACCOUNTS (Continued)

13. DEBTORS:

Amounts falling due within one year-

	<u>Group</u>		<u>Company</u>	
	30 June 1991	13 October 1990	30 June 1991	13 October 1990
	£000	£000	£000	£000
Trade debtors	18,136	13,372	10,289	7,509
Due from subsidiary undertakings	-	-	257	65,194
Due from related parties	8,823	479	-	434
Due from associated undertaking	-	21,328	-	21,328
Eurosport loan	11,409	5,032	11,409	5,032
VAT	-	3,421	-	1,790
Other debtors	1,842	8,480	362	3,431
Other loans	-	3,000	-	-
Programme prepayments	6,544	-	6,544	-
Other prepayments and accrued income	1,414	5,303	1,130	1,408
Prepaid transponder rentals	5,532	5,532	5,532	5,532
	-----	-----	-----	-----
	53,700	65,947	35,523	111,658

Amounts falling due after more than one year-

Eurosport loan	-	13,568	-	13,568
Other loans	-	2,111	-	-
Prepaid transponder rentals	36,514	40,450	36,514	40,450
	-----	-----	-----	-----
	90,214	122,076	72,037	165,676
	=====	=====	=====	=====

At 13 October 1990, approximately £10,316,000 of programme prepayments were classified within stocks.

The Eurosport loan is a loan made to a consortium of European Broadcasting Union members who operated the Eurosport channel until transmission of the channel ceased in May 1991. Following the termination of the arrangements with the consortium, the balance of this loan has been repaid to the group.

# NOTES TO ACCOUNTS (Continued)

## 14. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

	<u>Group</u>		<u>Company</u>	
	30 June	13 October	30 June	13 October
	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>
	£000	£000	£000	£000
Bank loans and overdrafts	1,032	63,904	48,899	61,526
Trade creditors	64,761	47,295	58,183	30,174
Due to parent company	383,218	-	383,270	-
Due to related parties	6,595	384,101	6,595	275,827
Transponder loan due to News International plc	7,569	-	7,569	-
Due to subsidiary undertakings	-	-	122	-
Due to associated undertaking	654	-	654	-
Social security and PAYE	,372	1,126	1,147	1,127
VAT	2,403	-	1,408	-
Other creditors	12,862	13,109	1,632	1,781
Accruals	32,374	41,825	12,030	8,521
	<u>512,840</u>	<u>551,360</u>	<u>521,509</u>	<u>378,956</u>
	=====	=====	=====	=====

At 13 October 1990, the bank loans and overdrafts were guaranteed by News International plc.

No interest is charged on the amounts due to the parent company.

The transponder loan due to News International plc is repayable in eight equal annual instalments of £7,569,000, which commenced in May 1991.

## 15. CREDITORS- AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

	<u>Company and group</u>	
	30 June	13 October
	<u>1991</u>	<u>1990</u>
	£000	£000
'A' convertible unsecured loan stock 1997	120,839	120,839
'B' convertible unsecured loan stock 1997	4,861	4,861
Unsecured loan stock 1992/1995	500	500
Transponder loan due to News International plc	45,412	-
	<u>171,612</u>	<u>126,200</u>
	=====	=====

The 'A' and 'B' convertible unsecured loan stock 1997 can be converted into ordinary shares in the company. No interest is payable on this stock. On 19 November 1991 News International Television Limited issued an offer to acquire the 'B' convertible unsecured loan stock as detailed in Note 17.

The unsecured loan stock is repayable, including accrued interest, at the option of the company between 1992 and 1995.

# NOTES TO ACCOUNTS (Continued)

## 16. PROVISIONS FOR LIABILITIES AND CHARGES:

Provisions for liabilities and charges comprise provisions for exceptional costs.

## 17. CALLED-UP SHARE CAPITAL:

	30 June 1991 £000	13 October 1990 £000
Authorised-		
25,000,000 ordinary shares of £1 each	25,000 =====	25,000 =====
Allotted, called-up and fully-paid-		
'A' ordinary - 734,532 shares of £1 each	735	735
'B' ordinary - 72,468 shares of £1 each	72 -----	72 -----
	807 =====	807 =====

On 19 November 1991, News International Television Limited issued an offer to acquire all the ordinary shares and convertible loan stock of the company not already owned by BSkyB. By 23 December 1991, the closing date for the offer, acceptances had been received from more than 90% of the minority shareholders and accordingly the offer was declared unconditional. The 72,468 'B' ordinary shares will be acquired by BSkyB in due course.

## 18. RESERVES:

	<u>Group</u>		<u>Company</u>	
	Share premium account £000	Profit and loss account £000	Share premium account £000	Profit and loss account £000
Beginning of period	882	(296,955)	882	(250,040)
Loss for the period	-	(222,718)	-	(300,587)
End of period	882 =====	(519,673) =====	882 =====	(550,627) =====

NOTES TO ACCOUNTS (Continued)

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

Future expenditure-

	<u>Group</u>		<u>Company</u>	
	30 June 1991 £000	13 October 1990 £000	30 June 1991 £000	13 October 1990 £000
Contracted for but not provided for in the accounts				
- television				
programme rights	220,000	200,000	220,000	200,000
- capital expenditure	713	7,693	-	5,411
	-----	-----	-----	-----
	220,713	207,693	220,000	205,411
	=====	=====	=====	=====

	<u>Group and company</u>	
	30 June 1991 £000	13 October 1990 £000
Authorised but not contracted for		
- television programme rights	-	14,000
- capital expenditure	-	-
	=====	=====

Included in television programme right commitments, which have been contracted for but not provided for in the accounts, is £45 million (13 October 1990 - £85 million), representing the minimum amounts payable to various third party producers in respect of currently unavailable movies which are subject to price escalation clauses within the period of the contract. The price escalation in respect of these movies is estimated to give rise to an additional commitment of up to £7 million (13 October 1990 - £3 million). The extent of the escalation, and hence of the commitments, is dependent upon the number of subscribers to the relevant movie channel. Further escalations may become payable if certain movies provided exceed an audience threshold in theatrical release.

Since 30 June 1991 a number of the contracts with major studios have been renegotiated, with the effect of reducing the cost of individual programmes and increasing contract periods. As a result, the overall television programme rights commitment contracted for has increased by £10 million. Subscriber based price escalators are estimated to increase the commitment by a further £130 million.

Certain contracts may be extended at the producer's option depending on subscriber levels to the relevant movie channel.

Under the contracts governing the acquisition of television programme rights from third party producers, all of the group's minimum obligations to major third party producers were subject to joint and several guarantees by various News Corporation group companies at 30 June 1991.



# NOTES TO ACCOUNTS (Continued)

## 19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (Continued):

### Lease commitments-

The group 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.

The minimum annual rentals under these leases are as follows-

	<u>Group</u>		<u>Company</u>	
	<u>Property</u>	<u>Plant and</u>	<u>Property</u>	<u>Plant and</u>
	<u>£000</u>	<u>machinery</u>	<u>£000</u>	<u>machinery</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
30 June 1991-				
Operating leases which expire				
- within 1 year	-	612	-	82
- within 2-5 years	8	412	-	376
- after 5 years	1,403	-	1,143	-
	<u>1,411</u>	<u>1,024</u>	<u>1,143</u>	<u>458</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

	<u>Group</u>		<u>Company</u>	
	<u>Property</u>	<u>Plant and</u>	<u>Property</u>	<u>Plant and</u>
	<u>£000</u>	<u>machinery</u>	<u>£000</u>	<u>machinery</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
13 October 1990-				
Operating leases which expire				
- within 1 year	62	300	62	-
- within 2-5 years	-	659	-	109
- after 5 years	1,532	-	1,095	-
	<u>1,594</u>	<u>959</u>	<u>1,157</u>	<u>109</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

In addition to the minimum annual rentals set out above, £394,000 is payable annually in respect of properties owned or leased by News International plc and charged to the group.

## 20. LITIGATION:

The following legal proceedings are pending or threatened against Sky and its subsidiary undertakings-

- i) Proceedings have been issued by Sky Subscribers Services Limited against Sky Installations Limited ("Sky Eastern") for alleged repudiation of an agreement under which Sky Eastern agreed to install receiving equipment and service the customer base. Sky Subscribers Services Limited is also seeking to recover monies lent to Sky Eastern in the sum of approximately £1,690,000. Sky Eastern have counter-claimed damages for alleged repudiation of the same agreement by Sky Subscribers Services Limited, including loss of profits.

## NOTES TO ACCOUNTS (Continued)

### 20. LITIGATION (Continued):

- 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.
- iii) An action is pending against Sky following the ruling by the European Commission that the operation of the Eurosport channel by Sky and the Eurosport Consortium was contrary to European competition laws and therefore illegal. The action in the UK courts brought by the European Sports Network has been stayed pending the results of an appeal on the EC decision to the court of First Instance in Luxembourg.

The directors of Sky are vigorously resisting these pending or threatened claims and counter claim, which in aggregate could amount to £28 million. The directors have taken legal advice on each of the above disputes and are of the opinion that no material liability should arise as a result of these claims. Accordingly no provision has been made in these accounts.

### 21. RELATED PARTY TRANSACTIONS:

The company and group conduct business transactions with and receive a number of services from shareholder companies of BSkyB, or members of their groups.

A shareholder funding agreement dated 11 May 1991, which provides for further funding of the BSkyB group to be provided by its shareholders as detailed in Note 23, details certain amounts payable by the group to certain News Corporation group companies for the supply of goods or services, which may not be paid for in cash but may be treated as contribution of value by News International plc in return for which it, or companies within the News Corporation group, will be issued 'D' loan stock and 'A' share capital in BSkyB.

The value contributions referred to in the agreement include repayments of a loan provided in respect of transponders on the Astra satellites used by the group to broadcast its television channels, the supply of 'smart cards' to be distributed to subscribers to the encrypted channels broadcast by the group and the supply of programming by 20th Century Fox.

Certain other related party transactions are entered into in the normal course of business. These include advertising by the group in media owned by shareholders, and also shareholders advertising on the group's satellite channels, and the collection of subscriptions and the management of the group's former rental database by Granada UK Rental and Retail Limited following the transfer of the database and related assets on 15 May 1991, detailed in Note 4.

News International plc and other News Corporation group companies also perform a number of services for the group. These include the provision of pension fund management services, insurance management, company payroll administration, executive payroll management, maintenance of computer systems and car fleet administration.

## NOTES TO ACCOUNTS (Continued)

### 22. ULTIMATE HOLDING COMPANY:

At 13 October 1990 the company was a subsidiary undertaking of News International plc, a company registered in England, which owned all the 'A' ordinary shares and 'A' convertible unsecured loan stock 1997 of the company. News International plc was entitled to 95.55% of the votes in a general meeting and would be entitled, following full conversion of the loan stock, to 95.82% of such votes.

The ultimate parent company was The News Corporation Limited, a company incorporated in South Australia.

On 3 November 1990, the interests of News International plc in the share capital and loan stock of the company were acquired by British Satellite Broadcasting Limited, subsequently renamed British Sky Broadcasting Limited on 19 December 1990.

The only group in which the results of Sky Television PLC and subsidiary undertakings from 4 November 1990 to 30 June 1991 are consolidated is that headed by British Sky Broadcasting Limited.

### 23. FINANCING ARRANGEMENTS:

Following the acquisition of the company by BSkyB, the combined group ("the BSkyB group") is being funded by the principal shareholders of BSkyB.

The directors of BSkyB believe that the BSkyB group will not achieve significant net operating cash inflows or net operating profits before 1994. The BSkyB group's current business projections envisage further net operating cash outflows from 1 June 1991 up to this point of less than £200 million. After the breakeven point has been achieved, the projections indicate that the BSkyB group will be profitable and generate cash in the future.

BSkyB has entered into an agreement, dated 11 May 1991, with its principal shareholders, BSB Holdings Limited and News International plc, for the provision of up to £200 million of shareholder financing in the form of a series of rights issues. The initial offer of £50 million and four subsequent rights offers of £25 million each have been made, the BSB Holdings Limited 50% share of the initial offer being underwritten by Chargeurs, Pearson plc and Granada Group PLC, in the ratio 37.5 : 37.5 : 25.

Rights offers totalling a further £50 million may be made and News International plc, Chargeurs, Pearson plc and Granada Group PLC have stated that it is their intention to take up these rights.

In the event that funding over and above £200 million is required, BSkyB would seek to obtain an alternative source of non-equity financing. If it is unable to do so, the shareholders' agreement provides for additional rights offers to be made to the shareholders.

The group's balance sheet at 30 June 1991 shows net current liabilities of £373,305,000 and an accumulated deficit of £519,673,000. The accounts have been prepared assuming that the group will continue as a going concern, based on the stated intentions of News International plc, Chargeurs, Pearson plc and Granada Group PLC.