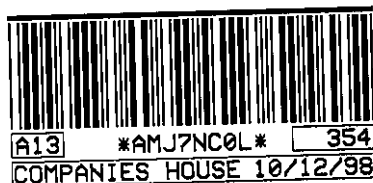


Kidsprog Limited

Accounts for the year ended 30 June 1998
together with the Directors' and Auditors' reports

Registered number: 2767224



Directors and Officers

For the year ended 30 June 1998

Directors

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

J J Ackerman	(appointed 11 July 1997 and resigned 8 September 1998)
R F C Blundell	(appointed 30 December 1997)
R J Brooke	(resigned 21 November 1997)
N J Carrington	(deceased 6 March 1998)
D C Chance	(resigned 31 December 1997)
S H Chisholm	(resigned 3 December 1997)
D J Gormley	(appointed 31 December 1997)
C K Mackenzie	(resigned 29 August 1997)
M D Stewart	(appointed 4 June 1998)

Secretary

D J Gormley

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors

Arthur Andersen
1 Surrey Street
London
WC2R 2PS

Directors' report

For the year ended 30 June 1998

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year to 30 June 1998.

Principal activity

The company's principal activity is to act as a holding company for the British Sky Broadcasting Group plc ("BSkyB"). During the year the company held a 50% investment in Nickelodeon UK, a joint venture company set up to operate a children's satellite television channel.

Results for the year

The profit for the financial year was £1,066,000 (1997: £655,000).

No dividends have been paid or proposed for the year (1997: £nil).

Directors and their interests

The directors of the company are as shown on page 1.

M D Stewart is also a director of the ultimate parent company, British Sky Broadcasting Group plc ("BSkyB"). The interests of M D Stewart in the share capital of BSkyB are shown in the accounts of that company for the year ended 30 June 1998.

As at 30 June 1998 and 30 June 1997 J J Ackerman had an option over 7,109 ordinary shares under the BSkyB Approved Executive Share Option Scheme at a price of £4.22 per share (exercisable at any time on or after 24 June 1999 up to and including 24 June 2009) and 117,061 ordinary shares under the BSkyB Unapproved Executive Share Option Scheme at a price of £4.22 per share (exercisable at any time on or after 24 June 1999 up to and including 24 June 2006).

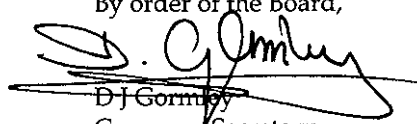
As at 30 June 1998 and 30 December 1997 R F C Blundell had an option over 8,414 ordinary shares under the BSkyB Sharesave Scheme at a price of £2.05 per share. The options are exercisable at any time on or after 1 January 2000 up to and including 1 July 2000.

As at 30 June 1998 and 31 December 1997 D J Gormley had an option over 5,711 ordinary shares under the BSkyB Sharesave Scheme at a price of £3.02 per share. The options are exercisable at any time on or after 1 January 2001 up to and including 1 July 2001.

Auditors

The company passed an Elective Resolution on 25 March 1994 to dispense with the annual reappointment of auditors.

Grant Way
Isleworth
Middlesex
TW7 5QD

By order of the Board,

D J Gormley
Company Secretary
2 October 1998

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 of the company for that year. In preparing these 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 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 has maintained proper accounting records and that the 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 the 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.

The auditors' opinion does not encompass the directors' report on page 2. However 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.

Auditors' report

To the Shareholders of Kidsprog Limited:

We have audited the accounts on pages 5 to 10 which have been prepared under the historical cost convention, and in accordance with the accounting policies set out on page 7.

Respective responsibilities of Directors and Auditors

As described on page 3 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 accounts 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 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 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 company's state of affairs at 30 June 1998 and of the company's profit 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

2 October 1998

Profit and loss account

For the year ended 30 June 1998

	Notes	1998 £'000	1997 £'000
Investment income	2	435	425
Interest payable and similar charges	2	(435)	(425)
Amounts written back to investments	3	1,066	655
Profit on ordinary activities before taxation	4	<u>1,066</u>	<u>655</u>
Taxation	5	-	-
Retained profit for the year	10	<u><u>1,066</u></u>	<u><u>655</u></u>

The movement on reserves is shown in note 10.

All results relate to continuing activities.

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 1998

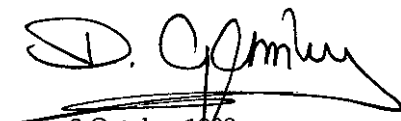
There were no recognised gains or losses in the year other than those included within the profit and loss account (1997 - none).

Balance sheet

30 June 1998

	Notes	1998 £'000	1997 £'000
Fixed assets			
Investments	6	4,268	3,702
Current assets			
Debtors	7	2	425
Creditors: amounts falling due within one year	8	(10,055)	(10,978)
Net current liabilities		(10,053)	(10,553)
Net liabilities		(5,785)	(6,851)
Capital and reserves			
Called-up equity share capital	9	-	-
Profit and loss account	10	(5,785)	(6,851)
		(5,785)	(6,851)

Signed on behalf of the Board
D J Gormley Director



2 October 1998

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

Notes to accounts

30 June 1998

1. Accounting Policies

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

a) *Basis of accounting*

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

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

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

b) *Fixed asset investments*

Fixed asset investments are shown at cost less amounts written off. Provisions are made for diminutions in value. The directors have taken the prudent approach of providing against the company's investments such that the carrying value of the investment reflects the company's share of the underlying net tangible assets.

c) *Taxation*

Corporation tax payable is provided at current rates on all taxable profits. Losses are surrendered between companies in the group for no consideration.

2. Investment income and interest payable

This relates to the interest charges made to Nickelodeon UK and the interest costs incurred on funding from the parent company.

3. Amounts written back to investments

In previous years this represented amounts written off against the cost of the loans advanced to and shares purchased in Nickelodeon UK which were in excess of the company's share of the net assets of Nickelodeon UK. During the year ended 30 June 1998 there was a decrease in the loans advanced to Nickelodeon UK. The provision against the investment was reduced by the company's share of profits in Nickelodeon UK.

4. Profit on ordinary activities before taxation

There were no staff costs as the company had no employees (1997: nil). Services were provided by employees of other companies within the group with no charge being made (1997: nil). The directors did not receive any remuneration during the year in respect of their services to the company (1997: nil).

Fees paid to the auditors for audit services in the year were borne by another group company. No other fees have been paid to the auditors (1997: nil).

5. Taxation

No taxation has been provided in the year because it is anticipated that losses will be surrendered by other group companies for no consideration.

Notes to accounts (continued)

6. Fixed asset investments

These represent the cost of the company's investments in Nickelodeon UK, an unlimited company registered in England and Wales. At 30 June 1998, the company held 104 "B" shares of 1 pence each, representing 50% of the issued share capital. The principal activity of Nickelodeon UK is to operate a children's satellite television channel.

Cost	Loans £'000	Shares £'000	Total £'000
Beginning of year	5,444	5,109	10,553
Repayment of loan	(500)	-	(500)
Purchase of 1 'B' ordinary share	(418)	418	-
End of year	<u>4,526</u>	<u>5,527</u>	<u>10,053</u>
Provision			
Beginning of year	(1,742)	(5,109)	(6,851)
Write-back of provision against recoverability of loans advanced to and shares purchased in Nickelodeon UK. (see note 3)	1,484	(418)	1,066
End of year	<u>(258)</u>	<u>(5,527)</u>	<u>(5,785)</u>
Net book value			
Beginning of year	3,702	-	3,702
End of year	<u>4,268</u>	<u>-</u>	<u>4,268</u>

7. Debtors

	1998 £'000	1997 £'000
Interest receivable from Nickelodeon UK	<u>2</u>	<u>425</u>

8. Creditors: Amounts falling due within one year

	1998 £'000	1997 £'000
Due to parent company	<u>10,055</u>	<u>10,978</u>

The amounts due to parent company are repayable on demand and carry interest at 1.5% above LIBOR.

Notes to accounts (continued)

9. Called-up equity share capital

	1998 £	1997 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called-up and fully-paid</i>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

10. Reconciliation of movements in shareholders' deficit

	Share capital £'000	Profit and loss account £'000	Total £'000
30 June 1996	-	(7,506)	(7,506)
Profit for the year	-	655	655
30 June 1997	-	(6,851)	(6,851)
Profit for the year	-	1,066	1,066
30 June 1998	-	(5,785)	(5,785)

11. Financing

The company's balance sheet shows net current liabilities of £10,053,000 and accumulated deficit of £5,785,000 at 30 June 1998.

The directors of British Sky Broadcasting Limited have confirmed that they will continue to provide support to the company to enable it to meet its liabilities as they fall due for at least twelve months from the date of the financial statements.

Accordingly, the accounts have been prepared assuming that the company will continue as a going concern.

12. Contingent liabilities

The company has contingent liabilities by virtue of its indirect investment in Nickelodeon UK. The directors do not expect any material loss to arise from the above contingent liabilities.

13. Transactions with related parties

The company has taken advantage of the exemption given by Financial Reporting Standard 8 "Related Party Disclosures" not to provide details of the transactions with fellow Group undertakings as the ultimate parent company is BSKyB.

14. Ultimate parent company

The company is a subsidiary undertaking of Sky Ventures Limited, a company registered in England and Wales.

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