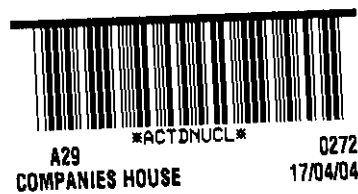


# Kidsprog Limited

Annual Report and Financial Statements  
for the year to 30 June 2003

Registered number: 2767224



## Directors and Officers

### Directors

Kidsprog Limited's ("the Company's") present Directors and those who served during the year are as follows:

|             |   |
|-------------|---|
| A F E Ball  | (appointed 18 June 2003 and resigned 4 November 2003) |
| N Chugani   | (resigned 18 June 2003)                               |
| D J Gormley | (resigned 18 June 2003)                               |
| M A Imi     | (resigned 18 June 2003)                               |
| J R Murdoch | (appointed 4 November 2003)                           |
| M D Stewart |   |

### Company Secretary

D J Gormley

### Registered Office

Grant Way  
Isleworth  
Middlesex  
TW7 5QD

### Auditors

Deloitte & Touche LLP  
London

## Directors' Report

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 2003.

### Principal activity, business review and future developments

The Company's principal activity is to act as a holding company. During the year the Company continued to hold a 50% investment in Nickelodeon UK, an unlimited company set up to operate a children's satellite television channel. The Directors expect this activity to continue for the foreseeable future.

### Results for the year

The audited accounts for the year ended 30 June 2003 are set out on pages 6 to 12. The profit before taxation for the financial year was £4,000,000 (2002: £1,957,000). The Directors do not recommend the payment of a dividend for the year ended 30 June 2003 (2002: nil).

### Directors and their interests

The Directors who served during the year are shown on page 1.

A F E Ball and M D Stewart were also directors of the Company's ultimate parent undertaking, British Sky Broadcasting Group Plc ("BSkyB"), as at 30 June 2003. The interests of these Directors in the share capital of BSkyB are disclosed in the Report on Directors' Remuneration in BSkyB's 2003 Annual Report and Financial Statements, which are publicly available (see note 13).

Except as disclosed in this report and in BSkyB's 2003 Annual Report and Financial Statements, no other Director who held office at 30 June 2003 held any interest in the share capital, including options, of the Company or any other member of BSkyB and its subsidiaries (the "Group") at 30 June 2003.

As at 30 June 2003, the BSkyB Employee Share Ownership Plan ("ESOP") was interested in 5.5 million BSkyB Ordinary Shares in which the Directors who are employees are deemed to be interested by virtue of section 324 of the Companies Act 1985.

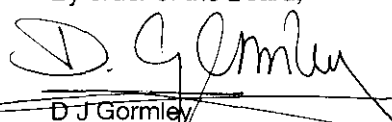
During the year ended 30 June 2003 the BSkyB share price traded within the range of £4.58 to £7.06 per share. The middle-market closing price on the last working day of the financial year was £6.72.

### Auditors

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26 (5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Grant Way  
Isleworth  
Middlesex  
TW7 5QD

By order of the Board,

  
D J Gormley  
Company Secretary

2 April 2004

## Directors' responsibilities

United Kingdom company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on a 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 financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent Auditors' report

## **Independent Auditors' Report to the Members of Kidsprog Limited:**

We have audited the financial statements of Kidsprog Limited for the year ended 30 June 2003 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This Report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and Auditors**

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

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

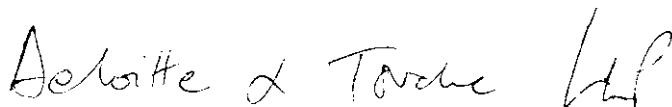
### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company as at 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche LLP**  
**Chartered Accountants and Registered Auditors**  
**London**

2 April 2004

## Profit and loss account

For the year ended 30 June 2003

|   | Notes | 2003<br>£'000 | 2002<br>£'000 |
|---|-------|---------------|---------------|
| Write back of provision against investment                        | 2     | -             | 1,957         |
| <b>Profit on ordinary activities before interest and taxation</b> |       | -             | 1,957         |
| Income from participating interests                               | 3     | 4,000         | -             |
| Interest receivable and similar income                            | 4     | -             | 22            |
| Interest payable and similar charges                              | 4     | -             | (22)          |
| <b>Profit on ordinary activities before taxation</b>              | 5     | 4,000         | 1,957         |
| Tax on profit on ordinary activities                              | 6     | -             | -             |
| <b>Retained profit for the financial year</b>                     | 10    | 4,000         | 1,957         |

Details of movements on reserves are shown in note 10.

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

All results relate to continuing activities.

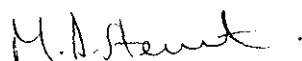
There were no recognised gains or losses in either year other than those included within the profit and loss account.

# Balance Sheet

As at 30 June 2003

|   | Notes | 2003<br>£'000 | 2002<br>£'000 |
|---|-------|---------------|---------------|
| <b>Fixed assets</b>                                   |       |               |               |
| Investments in joint ventures                         | 7     | 5,527         | 5,527         |
| <b>Creditors: amounts falling due within one year</b> | 8     | (1,527)       | (5,527)       |
| <b>Net current liabilities</b>                        |       | (1,527)       | (5,527)       |
| <b>Total assets less current liabilities</b>          |       | 4,000         | -             |
| <b>Net assets</b>                                     |       | 4,000         | -             |
| <b>Capital and reserves - equity</b>                  |       |               |               |
| Called-up share capital                               | 9     | -             | -             |
| Profit and loss account                               | 10    | 4,000         | -             |
| <b>Total shareholder's funds</b>                      | 10    | 4,000         | -             |

Signed on behalf of the Board



M D Stewart  
Director

2 April 2004

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

# Notes to financial statements

## 1. Accounting Policies

The principal accounting policies are summarised below. All of these have been applied consistently throughout the year and the preceding year.

### a) *Basis of accounting*

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

The Company maintains a 52-53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal 2003, this date was 29 June 2003, this being a 52 week year (2002: 30 June 2002, 52 week year).

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 228 of the Companies Act 1985, because it is a wholly owned subsidiary of BSkyB which prepares consolidated financial statements which are publicly available. The Company is also, on this basis, exempt from the requirement of FRS 1 (Revised) to present a cash flow statement.

### b) *Fixed asset investments*

Fixed asset investments are shown at cost less any provision for impairment. The Directors have taken the prudent approach of providing against the Company's investment such that the carrying value of the investment is not greater than the Company's share of the underlying net assets.

### c) *Taxation*

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

### d) *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.



## Notes to financial statements (continued)

### 2. Write-back of provision against investment

The amount provided by the Company against its investment in Nickelodeon UK represented the excess of the loans advanced to and shares purchased in Nickelodeon UK, over the Company's share of the net assets of Nickelodeon UK. During the prior year, the provision against the investment was reduced by an amount equivalent to the Company's share of profits of Nickelodeon UK for 2002, to the extent of the original investment (£1,957,000) (see note 7).

### 3. Income from participating interests

Dividends of £4,000,000 were received in the year from Nickelodeon UK.

### 4. Interest receivable and similar income / interest payable and similar charges

This related to the interest received on the loan made to Nickelodeon UK (see note 7) and the interest costs incurred on funding from Sky Ventures Limited, the parent undertaking (see note 8). Interest was charged at 1.5% above LIBOR on certain loans made to Nickelodeon UK and on certain funding from Sky Ventures Limited.

### 5. Profit on ordinary activities before taxation

There were no staff costs during the year or the preceding year as the Company had no employees. Services are provided by employees of other Companies within the Group (defined as BSKyB and its subsidiary undertakings) with no charge being made for their services. The Directors did not receive any remuneration during the year and the preceding year in respect of their services to the Company.

Amounts paid to the auditors for audit services were borne by another Group undertaking in 2003 and 2002. No amounts for other services have been paid to the auditors in 2003 (2002: nil).

### 6. Tax on profit on ordinary activities

#### a) Analysis of tax charge in year

The tax charge for the year is nil (2002: nil).

#### b) Factors affecting the tax charge for the year

|  | 2003    | 2002  |
|--|---------|-------|
|  | £000    | £000  |
| Profit on ordinary activities before taxation  | 4,000   | 1,957 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002 – 30%) | 1,200   | 587   |
| Effects of:  |         |       |
| Non taxable amounts written back against fixed asset investments   | -       | (587) |
| UK dividend income upon which no tax is payable  | (1,200) | -     |
| Current tax charge for the year  | -       | -     |

## Notes to financial statements (continued)

### 7. Investments in joint ventures

Investments in joint ventures represents the net book value of the Company's investment in Nickelodeon UK, an unlimited company registered in England and Wales, composed of loans and investment in share capital. At 30 June 2003, the company held 104 "B" shares of 1 pence each, representing 50% of the issued share capital.

|                     | 2003         | 2002         |
|---------------------|--------------|--------------|
|                     | £000         | £000         |
| Loans (see note a)  | -            | -            |
| Shares (see note b) | 5,527        | 5,527        |
| <b>Total</b>        | <b>5,527</b> | <b>5,527</b> |

| a) Loans           | 2003     | 2002     |
|--------------------|----------|----------|
|                    | £000     | £000     |
| <b>Cost</b>        |          |          |
| Beginning of year  | -        | 1,026    |
| Repayment of loan  | -        | (1,026)  |
| <b>End of year</b> | <b>-</b> | <b>-</b> |

In the prior year, the loan to Nickelodeon UK bore interest at 1.5% above LIBOR and had no fixed repayment date.

| b) Shares   | 2003         | 2002         |
|---|--------------|--------------|
|   | £000         | £000         |
| <b>Cost</b>   |              |              |
| Beginning and end of year                               | 5,527        | 5,527        |
| <b>Provisions</b>                                       |              |              |
| Beginning of year                                       | -            | (1,957)      |
| Write-back of provision against investment (see note 2) | -            | 1,957        |
| <b>End of year</b>                                      | <b>-</b>     | <b>-</b>     |
| <b>Net book value</b>                                   |              |              |
| Beginning of year                                       | 5,527        | 3,570        |
| <b>End of year</b>                                      | <b>5,527</b> | <b>5,527</b> |

## Notes to financial statements (continued)

### 8. Creditors: Amounts falling due within one year

|                                   | 2003<br>£'000 | 2002<br>£'000 |
|-----------------------------------|---------------|---------------|
| Amounts due to parent undertaking | 1,527         | 5,527         |
|                                   | <b>1,527</b>  | <b>5,527</b>  |

Amounts due to the parent undertaking bear no interest and have no fixed repayment date.

### 9. Called-up share capital

|   | 2003<br>£ | 2002<br>£ |
|---|-----------|-----------|
| <i>Authorised</i>                         |           |           |
| 100 Ordinary Shares of £1 each            | 100       | 100       |
| <i>Allotted, called-up and fully-paid</i> |           |           |
| 2 Ordinary Shares of £1 each              | 2         | 2         |

### 10. Reconciliation of movements in shareholder's funds

|                           | Share<br>capital<br>£'000 | Profit and<br>loss account<br>£'000 | Total<br>shareholder's<br>funds<br>£'000 |
|---------------------------|---------------------------|-------------------------------------|--|
| <b>As at 1 July 2002</b>  | -                         | -                                   | -  |
| Profit for the year       | -                         | 4,000                               | 4,000                                    |
| <b>As at 30 June 2003</b> | -                         | <b>4,000</b>                        | <b>4,000</b>                             |

### 11. Contingent liabilities

The Company has contingent liabilities by virtue of its investment in Nickelodeon UK. The Directors do not expect any material loss to arise from this.

### 12. Transactions with related parties

The Group, including the Company, conducts business transactions on a normal commercial basis with, and receives a number of services from, shareholder companies or members of their groups and associated undertakings. These transactions are described in the consolidated financial statements of BSKyB.

## Notes to financial statements (continued)

### 12. Transactions with related parties (continued)

The Company has taken advantage of the exemption given by Financial Reporting Standard 8 "Related Party Disclosures" not to provide further details of transactions with fellow group undertakings and other related parties as it is a wholly owned subsidiary of BSkyB, and disclosures of such transactions are made in the consolidated financial statements of the Group, which are publicly available.

### 13. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of Sky Ventures Limited, a company incorporated in Great Britain 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 undertaking.

The consolidated financial statements of this Group are available to the public and may be obtained from the Company Secretary, British Sky Broadcasting Group plc, Grant Way, Isleworth, Middlesex, TW7 5QD.

### 14. Financing

The Company's balance sheet as at 30 June 2003 shows net assets of £4,000,000 and net current liabilities of £1,527,000.

The directors of British Sky Broadcasting Limited have confirmed that it will not demand repayment of any intercompany balances due from Kidsprog Limited and will procure that its subsidiaries will not demand repayment of any intercompany balances for twelve months from the date of signing the financial statements except to the extent that such payments can be made while the Company continues to settle its third party liabilities as they fall due.

Nickelodeon's latest audited statutory financial statements as at 30 June 2003 show a cash balance of £9,116,000, and a positive net cash flow of £6,219,000 before the payment of dividends.