Kidsprog Limited

Annual Report and Financial Statements
for the year to 30 June 2006

Registered number: 2767224

Directors and Officers for the year to 30 June 2006

Directors

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

J R Murdoch
D J Darroch

Secretary

D J Gormley

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Directors' Report

The Directors present their Report on the affairs of the Company, together with the Financial Statements and Independent Auditors' Report, for the year to 30 June 2006.

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 an investment in Nickelodeon UK Limited, a company which broadcasts a number of children's satellite television channels. During the year, the Company's investment was diluted from 50% to 40% following the issue of new share capital. The Directors expect this company to continue be a holding company for the foreseeable future.

Results for the year

The audited accounts for the year ended 30 June 2006 are set out on pages 6 to 12. The profit for the year was £1,500,000 (2005: £4,500,000). The Directors do not recommend the payment of a dividend for the year ended 30 June 2006 (2005: £nil). Shareholder's equity increased by £1,500,000 from £13,000,000 from £11,500,000 at the previous year ended 30 June 2005, which is in line with profit for the year.

Directors and their interests

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

J R Murdoch and D J Darroch were Directors of the Company's ultimate parent undertaking, British Sky Broadcasting Group Plc ("BSkyB"), as at 30 June 2006. Their interests in the share capital of BSkyB are disclosed in the Report on Directors' Remuneration in BSkyB's 2006 Annual Report and Accounts, which are publicly available.

Except as disclosed in this report and in BSkyB's 2006 Annual Report and Accounts, no other Director who held office at 30 June 2006 held any interest in the share capital, including options, of the Company or any other member of BSkyB and its subsidiary undertakings (the "Group") at 30 June 2006.

As at 30 June 2006, the BSkyB Employee Share Ownership Plan ("ESOP") was interested in 4,448,876 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 2006 the BSkyB share price traded within the range of £4.785 to £5.79 per share. The middle-market closing price on the last working day of the financial year was £5.735 per share.

Principal risks and uncertainty

The Company's activities expose it to liquidity risk.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company relies on the Group treasury function, which has access to a £1,000m rolling credit facility to ensure ongoing liquidity.

The Directors do not believe the business is exposed to cashflow risk, credit risk or price risk.

Auditors

The Directors have passed an elective resolution dispensing with the requirement to annually reappoint an auditor for the Company.

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

The Company has passed elective resolutions to dispense with the need to hold an Annual General Meeting and to reappoint auditors annually.

By order of the Board,

D J Gormley
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD

19 December 2006

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements. The Directors have elected to prepare financial statements for the company in accordance with International Financial Reporting Standards ("IFRS"). Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

IAS 1 – Presentation of Financial Statements ("IAS 1") requires that financial statements present fairly, for each financial year, the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognitions criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

The Directors believe the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the accounts.

Independent Auditors' Report to the Members of Kidsprog Limited:
We have audited the financial statements of Kidsprog Limited for the year ended 30 June 2006 which comprise income statement and the balance sheet and the related notes 1 to 12. 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
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:
- the financial statements give a true and fair view, in accordance with those IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the directors' report is consistent with the financial statements.

Separate opinion in relation to IFRS
As explained in Note 1, the company, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

19 December 2006

Kidsprog Limited

Income Statement for the year to 30 June 2006

	Notes	**2006** **£'000**	2005 £'000
Investment Income	2	1,500	4,500
Profit before tax	3	**1,500**	4,500
Taxation	4	**-**	-
Profit for the year	8	**1,500**	4,500

The accompanying notes are an integral part of this income statement.

There were no recognised gains or losses in either year other than those included within the income statement. Accordingly, no statement of recognised income and expenses has been prepared.

Balance Sheet as at 30 June 2006

	Notes	2006 £'000	2005 £'000
Non-current assets			
Investment in joint ventures	5	**5,527**	5,527
Current assets			
Trade and other receivables	6	**7,473**	5,973
Total assets		**13,000**	11,500
Shareholders' equity		**13,000**	11,500
Total liabilities and shareholders' equity		**13,000**	11,500

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

As at 30 June 2006 and 30 June 2005 the Company did not hold any cash or cash equivalents. Accordingly a cash flow statement has not been presented. A reconciliation of net profit to cash generated from operations is provided in note 9.

Authorised by the board and signed on its behalf

D J Darroch
Director

19 December 2006

1. Accounting policies

The Company is a limited liability company incorporated in England and Wales, and domiciled in the United Kingdom ("UK").

a) Statement of compliance
These consolidated financial statements are prepared in accordance with IFRS (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted by the European Union ("EU"), the Companies Act 1985 and Article 4 of the IAS Regulations.

b) Basis of preparation
The financial statements have been prepared on an historical cost basis. The accounts have been prepared on a going concern basis.

The Company maintains a fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2006 this date was 2 July 2006 (2005: 3 July 2005). For convenience purposes, the Company continues to date its financial statements as of 30 June 2006 (2005: 30 June 2005).

c) Investments in joint ventures
Investments in joint undertakings are stated at cost. Provision is made for any impairment in value.

d) Trade and other receivables
Trade and other receivables are non-derivative financial assets with fixed or determinable payments and are measured at amortised cost using the effective interest method. Trade and other receivables, with no stated interest rate, are measured at the original invoice amount if the effect of discounting is immaterial.

e) Taxation, including deferred taxation
The Company's liability for current tax is based on taxable profits for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Temporary differences arising from Goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantially enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is "probable" to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted.

Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

f) Accounting standards, interpretations and amendments to published standards not yet effective
The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 July 2006, or later periods. These new standards are listed below:

– Amendment to IAS 21 'Net Investment in a Foreign Operation' (effective from 1 July 2006)
– Amendment to IAS 39 and IFRS 4 'Financial Guarantee Contracts' (effective from 1 July 2006)

– Amendment to IAS 39 'Cash Flow Hedge Accounting of Forecast Intragroup Transactions' (effective from 1 July 2006)
– Amendment to IAS 39 'The Fair Value Option' (effective from 1 July 2006)
– IFRIC 4 'Determining whether an Arrangement contains a Lease' (effective from 1 July 2006)
– IFRIC 5 'Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds' (effective from 1 July 2006)
– IFRIC 6 'Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment' (effective from 1 July 2006)
– IFRIC 7 'Applying the restatement approach under IAS 29' (effective from 1 July 2006)
– IFRIC 8 'Scope of IFRS 2' (effective from 1 July 2006)
– IFRIC 9 'Reassessment of Embedded Derivatives' (effective from 1 July 2006)
– IFRS 6 'Exploration for and Evaluation of Mineral Resources' (effective from 1 July 2006)
– IFRS 7 'Financial Instruments: Disclosures' (effective from 1 July 2007) and amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures' (effective from 1 July 2007)

The Directors currently anticipate that the adoption of these standards, amendments and interpretations in future periods will not have a material impact on the financial statements of the Company other than additional disclosure requirements.

2. Investment income

	2006	2005
	£'000	£'000
Investment income		
Dividends from joint ventures	**1,500**	4,500

3. Profit before taxation

Staff costs during the year were nil (2005: £nil) and the average monthly number of persons employed by the Company during the year was nil (2005: nil). The Directors did not receive any remuneration during either year in respect of their services to the Company.

Amounts paid to the auditors for audit services were borne by another Group undertaking in 2006 and 2005. No other fees have been paid to the auditors in either year.

4. Taxation

No taxation charge was recognised in the year ended 30 June 2006 (2005: No taxation charge).

Reconciliation of effective tax rate

The taxation charge is lower than the expense that would have been charged using the standard rate of corporation tax in the UK (30%) applied to loss before tax. The differences are explained below:

	2006 £'000	2005 £'000
Profit before tax	**1,500**	4,500
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%)	**450**	1,350
Effects of:		
UK dividend income upon which no tax is payable	**(450)**	(1,350)
Imputed interest	-	34
Group relief received for nil consideration	-	(34)
Taxation	-	-

All taxation relates to UK corporation tax.

5. Investments in joint ventures

Investments in joint ventures represents the net book value of the Company's investment in Nickelodeon UK Limited, a company registered in England and Wales, comprising of loans and investment in share capital. During the year, following alternation of Nickeloden UK's articles of association, the company became a Limited company under UK law.

	2006 £'000	2005 £'000
Cost and net book value		
Beginning and end of year	**5,527**	5,527

At 30 June 2006, the company held 104 "B" shares of 1 pence each, representing 40% (2005: 50%) of the issued share capital of Nickelodeon UK Limited. During the year, the Company's investment was diluted to 40% following the issue of new share capital.

6. Trade and other receivables

	2006 £'000	2005 £'000
Amounts receivable from parent	**7,473**	3,973
Amounts owed by joint venture	-	2,000
	7,473	5,973

Amounts owed by the parent undertaking are non-interest bearing and have no fixed repayment date.

7. Share capital

	2006 £	2005 £
Authorised		
100 ordinary shares of £1	**100**	100
Allotted, called-up and fully paid		
2 ordinary shares of £1	**2**	2

The Company has one class of ordinary shares which carry equal voting rights and no contractual right to receive payment.

8. Reconciliation of shareholders' equity

The movement on shareholders' equity includes all movements on reserves.

	Share capital £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 July 2004	-	7,000	7,000
Profit for the year	-	4,500	4,500
At 30 June 2005	-	11,500	11,500
Profit for the year	-	1,500	1,500
At 30 June 2006	-	**13,000**	**13,000**

9. Reconciliation of profit before taxation to cash generated from operations

	2006 £000	2005 £000
Profit before taxation	**1,500**	4,500
Increase in trade and other receivables	**(1,500)**	(4,500)
Cash generated from operations	-	-

10. Related party transactions

For details of amounts owed by the parent, see note 6. Investment income of £1,500,000 (2005: £4,500,000) was receivable from Nickelodeon UK Limited during the year.

The Group's treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the company to lend and borrow cash to and from subsidiary's as required. Under this policy, British Sky Broadcasting Limited received cash of £1,500,000 (2005: £4,500,000) on behalf of the company, during the year.

11. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of Sky Ventures Limited, a company incorporated in Great Britain and 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 Company's ultimate parent undertaking and controlling party.

The consolidated accounts 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.

12. Explanation of transition to IFRS

There have been no significant adjustments to profit after tax and shareholders equity at 1 July 2004 and 30 June 2005 required when reconciling such amounts recorded in the accounts to the corresponding amounts in accordance with IFRS.

The profit reported under UK GAAP and the profit reported under IFRS for the year ended 30 June 2005 is the same as is the Company's equity reported under UK GAAP and the Company's equity reported under IFRS at both the Transition Date and at 30 June 2005.