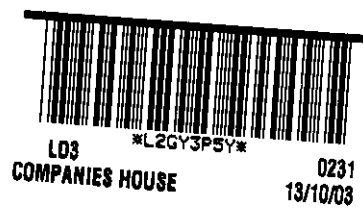


British Sky Broadcasting Limited

Annual Report and Accounts
for the year ended 30 June 2003

Registered number: 2906991



Directors and Officers

For the year ended 30 June 2003

Directors

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

A F E Ball
R Freudenstein
M D Stewart
V Wakeling (resigned 18 June 2003)

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 and future developments

The Company operates one of the leading pay TV broadcasting services in the United Kingdom and Ireland. The Company's principal activities consist of the operation and distribution of twenty-five wholly-owned television channels in digital including the following fifteen channels and their multiplex versions: Sky Premier, Sky MovieMax, Sky Cinema, Sky Sports 1, Sky Sports 2, Sky Sports 3 and Sky Sports Extra, Sky One, Sky News, Sky Sports News, Sky Travel, Sky Travel Shop, Flaunt, Scuzz and The Amp. In addition, the Company currently markets to direct-to-home ("DTH") viewers channels owned and broadcast by third parties. The Directors expect these activities 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 8 to 30. The profit on ordinary activities after taxation for the year was £287.4 million (2002: £90.4 million). 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.

The Directors who held office at 30 June 2003 had the following interests in the shares of British Sky Broadcasting Group plc ("BSkyB") and its subsidiaries (the "Group"):

Options and awards over shares in BSkyB

	At 30 June 2002	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2003	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
R Freudenstein	997 (a)	-	-	-	997	£9.71	N/A	01.01.2004	30.06.2004
	203,602 (b)	-	-	-	203,602	£6.385	N/A	29.10.2002	29.10.2009
	170,250 (c)	-	(150,000)	(20,250)	-	£10.04	£6.93	N/A	N/A
	170,250 (c)	-	-	-	170,250	£10.04	N/A	30.06.2003	03.11.2010
	170,250 (c)	-	-	-	170,250	£8.30	N/A	30.06.2003	21.11.2011
	170,250 (c)	-	-	-	170,250	£8.30	N/A	30.06.2004	21.11.2011
	-	85,167 (c)	-	-	85,167	£5.55	N/A	31.07.2004	31.07.2012
	-	85,166 (c)	-	-	85,166	£5.55	N/A	31.07.2005	31.07.2012
	-	4,300 (c)	-	-	4,300	£5.60	N/A	31.07.2004	31.07.2012
	-	4,300 (c)	-	-	4,300	£5.60	N/A	31.07.2005	31.07.2012
	-	19,500 (d)	-	-	19,500	N/A	N/A	31.07.2004	31.07.2012
	-	19,500 (d)	-	-	19,500	N/A	N/A	31.07.2005	31.07.2012

(a) Options granted under the BSkyB Sharesave Scheme

(b) Options granted under the Unapproved Executive Share Option Scheme

(c) Options granted under the BSkyB Long Term Incentive Plan ("LTIP")

(d) Awards granted under the BSkyB Equity Bonus Plan ("EBP")

Directors' report (continued)

A F E Ball and M D Stewart are also Directors of the Company's ultimate parent undertaking, BSkyB. 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 Accounts, which are publicly available (see note 20).

Details of the Unapproved Executive Share Option Scheme, the Sharesave Scheme, the LTIP and the EBP are also given in BSkyB's 2003 Annual Report and Accounts.

Awards under the EBP take the form of a contingent right to acquire existing BSkyB shares at the vesting date for nil consideration.

Except as disclosed in this report and in BSkyB's 2003 Annual Report and Accounts, no other Director held any interest in the share capital, including options, of the Company or any subsidiary of the Company, during the year.

At 30 June 2003, the BSkyB Executive Share Option 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.

Charitable and political contributions

In 2003, the Company in the UK donated a value of £1.9 million (2002: £1.6 million) to charities, of which £0.6 million was in the form of cash (2002: £0.9 million), and the remainder was in the form of services in kind. Political contributions of the Company in the UK during 2003 amounted to nil (2002: nil).

Supplier payment policy

The policy of the Company is to agree terms of payment with suppliers prior to entering into a contractual relationship. In the absence of a specific agreement it is the policy of the Company to pay suppliers on a monthly basis. The Company had 18 days' purchases outstanding at 30 June 2003 (2002: 12 days), based on the total amount invoiced by trade suppliers during the year ended 30 June 2003. Programme creditors include significant balances which are not contractually due. In respect of amounts both contractually due and invoiced, the outstanding number of days' purchases is below 30 days (2002: below 30 days).

Employment policies

The Company believes everyone should be given equal access to the same choices and opportunities in recruitment and employment, irrespective of their differences and needs.

The Company has a range of policies designed to ensure that it can meet this commitment. These include respect for family and religious needs and reasonable adjustment and communication support for disabled people. Applications are welcomed from a diverse talent pool and the recruitment process is accessible to disabled people. In addition the Company is working in partnership with Sabre employment (a specialist disability employment group) to ensure appropriate support for the continuing employment of disabled people. The Company is committed to promoting awareness of diversity through training and working practices.

Directors' report (continued)

The Company is a gold card member of the Employers' Forum on Disability and supports both the Broadcasting and Creative Industries Network and the Cultural Diversity Network.

Health and Safety

The health and safety of the Company's employees is a matter of major importance. Accordingly, it is the Company's policy to manage its activities so as to avoid causing any unnecessary or unacceptable risk to the health and safety of its employees.

The Company's goal is to work towards continuous improvement in the management of our health and safety risks. To this end, a review was undertaken in the first quarter of 2003 to ensure that the Company not only meets all applicable statutory requirements but also demonstrates its commitment to employee well-being. The measures required to resolve the action points highlighted in the review are currently underway.

Employee involvement and communication

It is the policy of the Company to develop employee involvement throughout the organisation and to ensure that employees are aware of the financial and economic factors affecting the Company. Communication meetings between management and employees' representatives are typically held on an informal basis where matters of specific interest are discussed. Consultation with employees occurs on a regular basis covering a broad range of areas such as pension provision and health and safety, and their views are taken into consideration when making decisions. The Company publishes two employee magazines covering a wide range of employee issues, runs a comprehensive intranet system and regularly hosts roadshows, conferences and forums for two-way communications. The Company's electronic mail system ensures that staff are kept updated on relevant information and initiatives.

Training and Development

Employees have the opportunity to participate in a range of training programmes in the fields of technology, the broadcast industry, professional skills and management and personal development. The Company is represented at Board level within the Broadcast Industry Sector Skills Council, Skillset, which promotes training and development opportunities across the industry.

Financial participation

The Group, in which the Company is a member, operates a Sharesave (discounted share purchase) scheme, a pension scheme through the BSKyB Pension Plan, and also a stakeholder pension scheme for the benefit of all eligible employees.

Environmental responsibility

The Company recognises the importance of environmental responsibility and the complete BSKyB Environmental Report can be found in the corporate section on the Group's website. This report does not form part of the Annual Report.

Directors' report (continued)

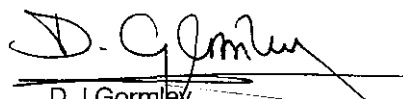
Auditors

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

10 October 2003

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.

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

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; and
- state whether applicable accounting standards have been followed.

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.

Auditors' report

Independent Auditors' Report to the Members of British Sky Broadcasting Limited:

We have audited the financial statements of British Sky Broadcasting Limited for the year ended 30 June 2003 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 23. 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 have been 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 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 of the state of affairs of the Company at 30 June 2003 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

10 October 2003

Profit and loss account

For the year ended 30 June 2003

	Notes	Before exceptional items £m	Exceptional items (see note 4) £m	2003 Total £m	Before exceptional items £m	Exceptional items (see note 4) £m	2002 Total £m
Turnover	2	2,937.6	-	2,937.6	2,526.5	-	2,526.5
Operating expenses, net	3	(2,557.5)	4.8	(2,552.7)	(2,293.6)	(18.2)	(2,311.8)
Operating profit (loss)		380.1	4.8	384.9	232.9	(18.2)	214.7
Amounts (written off) written back to fixed asset investments	5	(1.0)	(90.8)	(91.8)	0.3	-	0.3
Profit on sale of fixed assets		0.3	-	0.3	-	-	-
Profit (loss) on ordinary activities before interest and taxation	7	379.4	(86.0)	293.4	233.2	(18.2)	215.0
Interest receivable and similar income	6a)	14.4	115.9	130.3	18.9	-	18.9
Interest payable and similar charges	6b)	(74.8)	-	(74.8)	(111.1)	-	(111.1)
Profit (loss) on ordinary activities before taxation	7	319.0	29.9	348.9	141.0	(18.2)	122.8
Taxation (charge) credit	9	(60.1)	(1.4)	(61.5)	(37.9)	5.5	(32.4)
Profit (loss) on ordinary activities after taxation		258.9	28.5	287.4	103.1	(12.7)	90.4
Dividends paid and proposed				-			-
Retained profit for the financial year	17			287.4			90.4

Details of movements on reserves are shown in note 17.

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 £m	2002 £m
Fixed assets			
Tangible assets	10	189.7	209.0
Investments	11	87.7	170.3
		277.6	379.3
Current assets			
Stocks	12	328.1	364.3
Debtors: Amounts falling due within one year			
- deferred tax assets	13	3.2	2.1
- other	13	937.8	773.3
		941.0	775.4
Debtors: Amounts falling due after more than one year			
- deferred tax assets	13	11.8	3.5
- other	13	17.9	61.0
		29.7	64.5
Cash at bank and in hand		46.0	52.9
		1,344.8	1,257.1
Creditors: Amounts falling due within one year	15	(1,334.0)	(1,642.7)
Net current assets (liabilities)		10.8	(385.6)
Total assets less current liabilities		288.2	(6.3)
Creditors: Amounts falling due after more than one year	15	(24.1)	(17.0)
Net assets (liabilities)		264.1	(23.3)
Capital and reserves – equity			
Called-up share capital	16	10.0	10.0
Share premium account	17	242.2	242.2
Profit and loss account	17	11.9	(275.5)
Total shareholder's funds (deficit)	17	264.1	(23.3)

Signed on behalf of the Board



M D Stewart
Director

10 October 2003

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 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 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 accounts afforded by section 228 of the Companies Act 1985, because it is a wholly owned subsidiary of BSkyB which prepares consolidated accounts which are publicly available (see note 20). The Company is also, on this basis, exempt from the requirement of FRS 1 (Revised) to present a cash flow statement.

b) Turnover

Turnover, which excludes value added tax, represents the value of products and services sold. The Company's main sources of turnover are recognised as follows:

- Revenues from the provision of direct-to-home ("DTH") subscription services are recognised as the services are provided. Pay-per-view revenue is recognised when the event, movie or football match is viewed.
- Cable revenue is recognised as the services are provided to the cable wholesalers and is based on the number of subscribers taking the Sky channels as reported to the Company by the cable companies and the applicable rate card.
- Advertising sales revenues are recognised when the advertising is broadcast.
- Interactive turnover includes income from on-line advertising and text services. All Interactive revenues are recognised when the goods or services are delivered.
- Other revenue principally includes marketing contributions from third party channels and platform access fees. Other revenues are recognised, net of any discount given, when the relevant service has been provided.

c) Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Land is not depreciated. 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:

Leasehold improvements	Lower of lease period or life of the asset
Equipment, fixtures and fittings:	
- Fixtures and fittings	10% - 20%
- Computer equipment	20% - 33 ¹ / ₃ %
- Technical equipment	10% - 20%
- Motor vehicles	25%

Notes to financial statements (continued)

1 Accounting Policies (continued)

d) *Investments*

Investments in subsidiary undertakings are stated at cost. Provision is made for any impairment.

Shares in BSkyB held by the ("ESOP") are included in the balance sheet as a fixed asset investment until such time as the interest in the shares is transferred unconditionally to the employees. Provision is made for any permanent diminution in the value of shares held by the ESOP.

A charge is made in the profit and loss account in relation to the shares held by the ESOP for awards under the LTIP, the KCP and the EBP, based on an assessment of the probability of the performance criteria under the LTIP, KCP and EBP being met. The charge is allocated on a straight-line basis over the vesting periods of the LTIP, KCP and EBP.

Other fixed asset investments are stated at cost, less any provision for permanent diminution in value.

e) *Interests in joint ventures*

Interests are stated at cost less provision for any impairment. Provision is made within creditors where the amount provided against individual investments is greater than the investment to date. 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 assets.

Amounts provided may be written back when the Company's share of the underlying net assets of the joint venture increases.

f) *Stocks*

Television Programme Rights

Programme rights are stated at cost (including, where applicable, estimated escalation payments) less accumulated amortisation. Provisions are made for any programme rights which are surplus to Company requirements or which will not be shown for any other reason. Contractual obligations for programme rights not yet available for transmission are not included in the cost of programme rights, but are disclosed as contractual commitments (see note 18). Payments made in receipt of commissioned and acquired programming but in advance of the legal right to transmit the programmes are treated as prepayments.

Acquired and commissioned programme rights are recorded in stock at cost when the programmes are available for transmission.

Notes to financial statements (continued)

1 Accounting Policies (continued)

Television Programme Rights (continued)

Amortisation is provided to write off the cost of acquired and commissioned programme rights as follows:

Sports	100% on first showing, or where contracts provide for sports rights for multiple seasons or competitions, the amortisation of each contract is based on anticipated revenue.
Current affairs	100% on first showing.
General entertainment	Straight-line basis on each transmission at the following rates: One showing planned - 100% Two showings planned - 60%; 40% Three showings planned - 50%; 30%; 20% Four showings planned - 40%; 30%; 20%; 10%
Movies	Acquired movies are amortised on a straight-line basis over the period of transmission rights. Where acquired movie rights provide for a second availability window, 10% of the cost is allocated to that window. Own movie productions are amortised in line with anticipated revenue over a maximum of five years.

Raw materials and consumables

Raw materials and consumables are valued at the lower of cost and net realisable value.

g) Transponder rentals

Payments made in advance to secure satellite capacity have been recorded as prepaid transponder rentals. These payments are amortised on a straight-line basis to the profit and loss account from commencement of broadcasting to the end of the rental period, normally 10 years.

h) Taxation

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

i) 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 carried forward tax losses can be offset 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)

1 Accounting Policies (continued)

j) Foreign currency

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

k) Derivatives and other financial instruments

The Company uses a limited number of derivative financial instruments to hedge its exposures to fluctuations in interest and foreign exchange rates. Instruments accounted for as hedges are structured so as to reduce the market risk associated with the underlying transaction being hedged and are designated as a hedge at the inception of the contract. Receipts and payments on interest rate instruments are recognised on an accruals basis, over the life of the instrument. Gains and losses on instruments used for hedging are not recognised until the hedged position is recognised. The Company does not hold or issue derivative financial instruments for speculative purposes.

l) Pension costs

The Company provides pensions to eligible employees through the BSkyB Pension Plan, which is a defined contribution plan. The amount charged to the profit and loss account represents the cost of contributions payable by the Company to the scheme in that year. The assets of the BSkyB Pension Plan are held independently of the Company and Group.

m) Leases

Assets held under finance leases are treated as tangible fixed assets. Depreciation is provided over the shorter of the lease term and the asset's useful economic life and the deemed capital element of future rentals is included within creditors. Deemed interest is charged as interest payable over the period of the lease.

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

2 Turnover

The Company's turnover has been analysed as follows:

	2003 £m	2002 £m
DTH subscribers	2,341.2	1,929.2
Cable and DTT subscribers	202.2	279.4
Advertising	285.7	252.9
Interactive	17.9	26.7
Other	90.6	38.3
	2,937.6	2,526.5

All Company turnover is derived from the Company's sole class of business, being television broadcasting together with certain ancillary functions, and arises principally within the United Kingdom from activities conducted within the United Kingdom. In order to provide shareholders with additional information, the Company's turnover has been analysed as shown above.

Notes to financial statements (continued)

2 Turnover (continued)

All turnover arises from services provided to the United Kingdom, with the exception of £92.9 million (2002: £62.4 million) which arises from services provided to the Republic of Ireland and £9.0 million (2002: £7.7 million) which arises from services provided to the Channel Islands.

3 Operating expenses, net

	Before exceptional items £m	Exceptional items (see note 4) £m	Total 2003 £m	Before exceptional items £000	Exceptional items (see note 4) £000	Total 2002 £m
Programming*	1,588.5	-	1,588.5	1,426.6	-	1,426.6
Transmission and related functions*	124.2	-	124.2	123.1	(4.1)	119.0
Marketing	425.2	-	425.2	385.3	-	385.3
Subscriber management	194.7	-	194.7	169.0	-	169.0
Administration	224.9	(4.8)	220.1	189.6	22.3	211.9
	2,557.5	(4.8)	2,552.7	2,293.6	18.2	2,311.8

*The amounts shown are net of £12.0 million (2002: £15.3 million) receivable from the disposal of programming rights not acquired for use by the Company, and £25.5 million (2002: £23.7 million) in respect of the provision to third party broadcasters of spare transponder capacity.

4 Exceptional items

	(Charge) credit before taxation £m	Taxation charge £m	2003 Total £m	(Charge) credit before taxation £m	Taxation credit (charge) £m	2002 Total £m
Release of provision (provision) against ITV Digital programming debtors (a) (c)	4.8	(1.4)	3.4	(22.3)	6.7	(15.6)
Release of analogue termination provision (d)	-	-	-	4.1	(1.2)	2.9
Exceptional operating items	4.8	(1.4)	3.4	(18.2)	5.5	(12.7)
Provision against investment (b)	(90.8)	-	(90.8)	-	-	-
Dividend received on liquidation of investment (b)	115.9	-	115.9	-	-	-
Total exceptional items	29.9	(1.4)	28.5	(18.2)	5.5	(12.7)

2003

Exceptional operating items

(a) ITV Digital

The Company provided in full against all unprovided balances owed by ITV Digital, following the announcement made on 30 April 2002 (see note (c) below). During the year, the Company received £4.8 million from ITV Digital's liquidators and released £4.8 million of its exceptional operating provision accordingly.

Notes to financial statements (continued)

4 Exceptional items (continued)

(b) BSkyB Interactive Investments Limited ("BIL")

On 14 August 2002, BIL, a wholly owned subsidiary of the Company, was placed into Members Voluntary Liquidation. On the same date, BIL assigned £115.9 million to the Company as a first and final distribution of its assets. In addition, BIL assigned all and any rights under the Loan Agreement signed 15 November 1999 to the Company. This assignment offset amounts owed to BIL under the Loan Agreement by the Company at 14 August 2002, totalling £115.9 million. This resulted in a net credit to the profit and loss account of £25.1 million in the year ended 30 June 2003, being the excess of the assets distributed over the £90.8 million carrying value of the investment in BIL.

2002

Exceptional operating items

(c) ITV Digital

At 27 March 2002, the date on which the ITV Digital Digital Terrestrial Television ("DTT") platform was put into administration, the Company had balances owed to it and unprovided for, in respect of programming licensed to ITV Digital, of £22.3 million. On 30 April 2002, the joint administrators of ITV Digital announced the closure of pay television services on the platform and their intention to close the administration. Accordingly, the Company made an exceptional operating provision against the whole of this balance (see note (a) above).

(d) Release of analogue termination provision

On 27 September 2001, the Company terminated its analogue operation. From the original exceptional operating provision of £41.0 million, taken at 30 June 2000, £4.1 million of the provision had not been utilised at 30 June 2002 and was therefore released to the profit and loss account as an exceptional operating credit.

5 Amounts written back to (written off) fixed asset investments

The Company participates in various joint ventures. Most of these are held via one of its wholly owned subsidiary undertakings, Sky Ventures Limited. Funding is provided by the Company to these joint ventures via Sky Ventures Limited. A provision of £90.8 million was made against the investment in BIL (see note 4) following its placement into Members Voluntary Liquidation. The other movements in provisions in the year related to a provision for £1.8m against the Company's investment in Sky New Media Ventures Limited and £0.8m written back against the Company's investment in Sky Ventures Limited. The net provision of £0.3 million written back against investments in 2002 related principally to the release of a provision against funding to Sky Ventures Limited, partly offset by a provision made for operating losses in Sky 5 Text Limited, which has now been placed into Members' Voluntary Liquidation.

Notes to financial statements (continued)

6 Interest

a) Interest receivable and similar income

	Before exceptional items £m	Exceptional items (see note 4) £m	Total 2003 £m	Total 2002 £m
Dividend on liquidation of investment	-	115.9	115.9	-
Intercompany interest receivable	12.0	-	12.0	10.8
Other interest receivable and similar income	2.4	-	2.4	8.1
	14.4	115.9	130.3	18.9

Intercompany interest is receivable on loans to British Interactive Broadcasting Limited ("BiB"), (see note 13) and Sky Ventures Limited (see note 11). Other interest is receivable on bank deposits.

b) Interest payable and similar charges

	2003 £m	2002 £m
Intercompany interest payable	74.4	110.8
Other interest payable and similar charges	0.4	0.3
	74.8	111.1

Intercompany interest payable includes interest on US\$650m Guaranteed Notes at 8.20%, £100m Guaranteed Notes at 7.75% and interest on a £600 million RCF at between 0.60% and 1.125% above LIBOR all recharged from BSKyB. All Guaranteed Notes are repayable in full in 2009. The £600 million RCF is repayable in full in 2008.

In addition, interest was payable at LIBOR plus 1% on an uncommitted loan from BIIL which was a subsidiary undertaking until 14 August 2002 when BIIL was liquidated. No further interest was payable after this date (see note 4).

7 Profit (loss) on ordinary activities before taxation

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

	2003 £m	2002 £m
Depreciation (see note 10)		
- owned assets	53.9	50.2
- assets held under finance leases	3.6	1.3
Profit on disposal of tangible fixed asset	0.3	-
Rentals on operating leases and similar arrangements: land and buildings	7.6	6.1
Rentals on operating leases and similar arrangements: plant and machinery	74.3	71.3
Staff costs (see note 8)	182.8	166.8

Notes to financial statements (continued)

7 Profit (loss) on ordinary activities before taxation (continued)

Amounts payable to the auditors are analysed below:

	2003 £m	2002 £m
Statutory audit services	0.8	0.7
Audit related fees	0.6	0.7
Audit and related services	1.4	1.4
Tax advisory services	0.6	0.4
Website development	-	0.5
Other services	0.5	0.7
Non-audit related services	0.5	1.2

8 Staff costs

a) Employee costs for permanent and temporary employees, and Executive Directors during the year amounted to:

	2003 £m	2002 £m
Wages and salaries	128.8	128.5
Costs of LTIP, KCP, EBP and other share-related bonus schemes	27.3	17.0
Social security costs	17.9	13.6
Other pension costs	8.8	7.7
	182.8	166.8

Awards under the KCP made in 2000 take the form of a contingent right to acquire existing BSkyB shares at the vesting date for nil consideration. Awards under the KCP made in 2001 take the form of a market value option to acquire existing BSkyB ordinary shares with a cash bonus equal to the exercise price of the option. In the case of the latter, to the extent that the market price of the share at the date of vesting of such awards is below the exercise price at the date of exercise, awards are satisfied by a transfer of shares. The number of shares received varies to the extent that performance conditions have been achieved.

Awards under the LTIP take the form of a market value option with a cash bonus equal to the exercise price. The above amounts represent the cash bonus elements of the LTIP awards which vested during the year (i.e. amounts equivalent to the market value of the shares subject to these awards at the date they were granted), and do not include any amounts in respect of gains on options exercised as a result of the LTIP vesting.

Awards under the EBP take the form of a contingent right to acquire existing BSkyB shares at the vesting date for nil consideration.

Notes to financial statements (continued)

8 Staff costs (continued)

The average monthly number of persons employed by the Company during the year was as follows:

	2003 Number	2002 Number
Programming	1,003	998
Transmission and related functions	1,322	1,133
Marketing	173	184
Administration	869	773
	3,367	3,088

The Company operates a defined contribution pension scheme through the BSkyB Pension Plan. The pension charge for the year represents the cost of contributions payable by the Company to the Plan during the year and amounted to £8.8 million (2002: £7.7 million). The Company's contributions owing to the Plan at 30 June 2003 were £0.6 million (30 June 2002: £0.7 million).

b) Directors emoluments

The remuneration of the Directors was as follows:

	2003 £m	2002 £m
Emoluments	4.9	3.9
Amounts received under the LTIP	-	5.6
Company contributions to defined contribution pension schemes	0.2	0.1
	5.1	9.6

Awards under the LTIP take the form of a market value option with a cash bonus equal to the exercise price. The above amounts represent the cash bonus elements of the LTIP awards which vested during the year (i.e. amounts equivalent to the market value of the shares subject to these awards at the date they were granted), and do not include any amounts in respect of gains on options exercised as a result of the LTIP vesting. In 2003, as the market price of a share at the date of vesting of the LTIP was below the exercise price, the awards were treated as lapsed. Instead, participants received shares, for no consideration, equal to the value of their vested awards and no cash bonus was paid.

One Director exercised share options in the year (2002: three Directors).

All Directors are members of the BSkyB company defined contribution pension scheme.

The above amounts for remuneration include the following in respect of the highest paid director:

	2003 £m	2002 £m
Emoluments and amounts received under the LTIP	2.3	5.5
Company contributions to defined contribution pension schemes	0.2	-

Details of movements on share options and awards for Directors are given in the Directors' Report on pages 2 and 3.

Notes to financial statements (continued)

9 Taxation

a) Analysis of charge (credit) in year

	Tax charge (credit) on profit before exceptional items £m	Exceptional tax charge (see note 4) £m	2003 Total £m	Tax charge on profit before exceptional items £m	Exceptional tax credit (see note 4) £m	2002 Total £m
Current tax						
Tax charge on profit on ordinary activities	69.5	1.4	70.9	-	-	
Group relief payable relating to prior year	-	-	-	0.4	-	0.4
Withholding tax	0.1	-	0.1	0.1	-	0.1
Double tax relief	(0.1)	-	(0.1)	-	-	-
Total current tax	69.5	1.4	70.9	0.5	-	0.5
Deferred tax:						
Origination and reversal of timing differences	(0.8)	-	(0.8)	37.4	(5.5)	31.9
Increase in estimate of recoverable deferred tax asset in respect of prior years (i)	(8.6)	-	(8.6)	-	-	-
Total deferred tax	(9.4)	-	(9.4)	37.4	(5.5)	31.9
	60.1	1.4	61.5	37.9	(5.5)	32.4

(i) During the year the Company recorded a deferred tax credit of £16.7 million relating to deferred tax assets not previously recognised (of which £10.8 million related to short-term timing differences and £5.9 million related to losses), offset by a £8.1 million reduction in the deferred tax asset recognised at 30 June 2002 on accelerated capital allowances.

Notes to financial statements (continued)

9 Taxation (continued)

b) Factors affecting the tax charge (credit) for the year

The tax charge for the year is lower than the standard rate of corporation tax in the UK (30%) (2002: 30%). The differences are explained below:

	2003 £m	2002 £m
Profit on ordinary activities before tax	348.9	122.8
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	104.7	36.8
Effects of:		
Non taxable dividends received	(34.7)	-
Non deductible amounts written off fixed asset investments	27.5	-
Other expenses not deductible for tax purposes	4.2	2.3
Depreciation for the year in excess of capital allowances	2.5	14.3
Utilisation of tax losses	(5.9)	(40.7)
Group relief claimed from other BSkyB companies for no charge	(32.7)	(8.0)
Other timing differences	5.3	(4.7)
Withholding tax	0.1	0.1
Double tax relief	(0.1)	-
Group relief payable relating to prior year	-	0.4
Current tax charge for the year (see note 9a)	70.9	0.5

c) Factors that may affect future tax charges

A deferred tax asset of £5.1 million (2002: £4.9 million) arising principally on other timing differences has not been recognised on the basis that these timing differences are not more likely than not to reverse.

Notes to financial statements (continued)

10 Tangible fixed assets

The movement in the year was as follows:

	Freehold land and buildings (i) £m	Short leasehold improvements £m	Equipment, fixtures and fittings (ii) £m	Total £m
Cost				
Beginning of year	5.9	80.8	382.5	469.2
Additions	-	3.2	35.2	38.4
Disposals	-	-	(1.3)	(1.3)
End of year	5.9	84.0	416.4	506.3
Depreciation				
Beginning of year	-	42.0	218.2	260.2
Charge	-	3.8	53.7	57.5
Disposals	-	-	(1.1)	(1.1)
End of year	-	45.8	270.8	316.6
Net book value				
Beginning of year	5.9	38.8	164.3	209.0
End of year	5.9	38.2	145.6	189.7

(i) Depreciation was not charged on £5.9 million of land (2002: £5.9 million).

(ii) The amounts shown include assets under finance leases with a net book value of nil (2002: £3.6 million). Depreciation charged during the year on these assets was £3.6 million (2002: £1.3 million).

11 Fixed asset investments

The following are included in the net book value of investments:

	2003 £m	2002 £m
Loans and subscription for shares in subsidiary undertakings (a)	52.5	127.6
Loans and subscription for shares in joint ventures (b)	0.1	-
Investment by ESOP in BSkyB shares (c)	34.6	42.2
Other investments	0.5	0.5
	87.7	170.3

Notes to financial statements (continued)

11 Fixed asset investments (continued)

(a) Loans and subscription for shares in subsidiary undertakings

	2003 £m	2002 £m
The movement in the year was as follows:		
Cost and funding		
Beginning of year	612.3	521.0
Subscription for shares	7.0	85.6
Loans advanced in year, net	9.7	5.7
Liquidation of subsidiaries	(313.0)	-
End of year	316.0	612.3
Amounts provided		
Beginning of year	484.7	485.5
Amounts provided (written back) (see note 5)	91.8	(0.8)
Liquidation of subsidiaries	(313.0)	-
End of year	263.5	484.7
Net book value		
Beginning of year	127.6	35.5
End of year	52.5	127.6

All loans to subsidiary undertakings are non-interest bearing, except for a loan of £3.4 million (2002: £3.4 million) to Sky Ventures Limited, a subsidiary undertaking, which bears interest at LIBOR plus 1.0%.

The liquidation of subsidiaries relates to the liquidations of BIL (see note 4) and of Sky Scottish Limited during the year.

(b) Loans and subscription for shares in joint ventures

	2003 £m	2002 £m
The movement in the year was as follows:		
Cost and funding		
Beginning of year	3.1	2.8
Loans advanced in year, net	-	0.3
Liquidation of joint venture	(3.1)	-
Subscription for shares	0.1	-
End of year	0.1	3.1
Amounts provided		
Beginning of year	3.1	2.6
Amounts provided (see note 5)	-	0.5
Liquidation of joint venture	(3.1)	-
End of year	-	3.1
Net book value		
Beginning of year	-	0.2
End of year	0.1	-

Notes to financial statements (continued)

11 Fixed asset investments (continued)

The liquidation of joint ventures relates to the liquidation of Sky 5 Text Limited in the year.

Fixed asset investments shown in notes 11(a) and 11(b) above represent the cost of the shares of the wholly-owned subsidiary undertakings and joint ventures (see note 22) plus advances, less provisions for permanent diminution in value.

(c) Investment by ESOP in BSkyB shares

The movement in the year was as follows:

	Number of Ordinary Shares	Carrying value £m
At beginning of year	6,599,637	42.2
Share options exercised during the year	(1,142,625)	(7.6)
At end of year	5,457,012	34.6

At 30 June 2003, the ESOP held 5.5 million Ordinary Shares in BSkyB (2002: 6.6 million) at an average value of £6.34 per share (2002: £6.39 per share). These shares were designated to hedge a portion of the Company's obligations outstanding under share schemes: the LTIP (4.0 million shares), the EBP (0.4 million shares) and the KCP (1.1 million shares).

The 1.1 million Ordinary Shares utilised during the year relate to the exercise of LTIP and KCP awards.

The cost to the Company of the LTIP, EBP and KCP awards hedged by the ESOP is accrued over the relevant vesting periods of these schemes. An amount of £28.3 million is included within accruals (2002: £19.3 million).

The market value of shares held by the ESOP at 30 June 2003 was £36.6 million (2002: £41.5 million), and the nominal value was £2.7 million (2002: £3.3 million).

12 Stocks

	2003 £m	2002 £m
Television programme rights	328.0	364.2
Raw materials and consumables	0.1	0.1
	328.1	364.3

At least 79% (2002: 77%) of the existing television programme rights at 30 June 2003 will be amortised within one year.

Notes to financial statements (continued)

13 Debtors

	2003 £m	2002 £m
Amounts falling due within one year:		
Trade debtors	148.7	151.9
Amounts owed by fellow subsidiary undertakings	631.3	407.9
Amounts owed by subsidiary undertakings	17.6	52.9
Amounts owed by joint ventures	14.3	13.1
Amounts owed by related parties (see note 19)	0.4	1.1
Other debtors	4.1	2.6
Prepaid programme rights	53.8	68.5
Prepaid transponder rentals	6.0	5.7
ACT recoverable	18.9	18.2
Deferred tax asset (see note 14)	3.2	2.1
Other prepayments and accrued income	42.7	51.4
	941.0	775.4
Amounts falling due after more than one year:		
Prepaid programme rights	2.7	38.6
Prepaid transponder rentals	8.2	9.5
Deferred tax asset (see note 14)	11.8	3.5
ACT recoverable	-	11.2
Other prepayments and accrued income	7.0	1.7
	29.7	64.5

No interest is charged on amounts owed by fellow subsidiary undertakings or subsidiary undertakings, except as described below. All balances are repayable on demand.

The Company has loaned £412.3 million (2002: £349.5 million) (against which £261.7 million has been provided in 2003 and 2002) to BiB on which interest is charged at LIBOR plus 1.0%. This loan was matched by an equal amount that was loaned to the Company by BIL on which interest was charged at LIBOR plus 1.0% until 14 August 2002 when BIL was placed into Members Voluntary Liquidation and assigned all rights under the Loan Agreement to the Company.

On 25 January 2002, the Company entered into five revolving credit facilities ("RCFs") with a fellow subsidiary undertaking, British Sky Broadcasting Finance Limited ("BSkyB Finance"). At the same time, BSKyB Finance entered into reciprocal facilities on the same terms with the following group undertakings:

- Sky Sports Ventures Limited
- WAP TV Limited
- Surrey Group Limited
- Sky New Media Ventures Limited
- Sky Subscribers Services Limited ("SSSL")

Notes to financial statements (continued)

13 Debtors (continued)

Each of these facilities was for £100 million, with the exception of the RCF with SSSL, which was for £500 million. On 30 September 2002, the Company entered into an RCF with BSkyB Finance for £100 million, who at the same time entered into a reciprocal facility on the same terms with the Sports Internet Group, another group undertaking. All of the RCFs are repayable on demand and are non-interest bearing.

The Company has drawn down £122.9 million (2002: £10.9 million) under these facilities at the year end.

4 Deferred tax

	2003 £m	2002 £m
Included within debtors due within one year:		
- accelerated capital allowances	(0.2)	2.1
- short-term timing differences	3.4	-
	3.2	2.1
Included within debtors due after more than one year:		
- accelerated capital allowances	(0.7)	3.5
- short-term timing differences	12.5	-
	11.8	3.5
Deferred tax asset		
Beginning of year	5.6	37.5
Credit (charge) in the profit and loss account during the year	9.4	(31.9)
End of year	15.0	5.6

The amount of unrecognised deferred tax within the Company is disclosed in note 9c.

The Directors consider that there is sufficient evidence to support the recognition of the deferred tax asset present at 30 June 2003 on the basis that it is more likely than not that there will be suitable taxable profits against which these assets can be utilised.

Notes to financial statements (continued)

15 Creditors

	2003 £m	2002 £m
Amounts falling due within one year:		
Trade creditors	28.1	15.4
Programme creditors	260.7	245.6
Amounts due to parent undertaking	353.7	808.9
Amounts due to fellow group undertakings	136.6	76.2
Amounts due to subsidiary undertakings	43.6	24.8
Amounts due to joint ventures	-	8.1
Amounts due to related parties (see note 19)	24.9	17.7
UK corporation tax	22.7	4.7
VAT	74.0	97.9
Social security and PAYE	0.4	4.5
Other creditors	35.4	19.8
Obligations under finance leases	-	1.4
Accruals and deferred income	353.9	317.7
	1,334.0	1,642.7
Amounts falling due after more than one year:		
Obligations under finance leases	-	0.1
Accruals and deferred income	24.1	16.9
	24.1	17.0

No interest is charged on amounts due to fellow group undertakings, subsidiary undertakings or joint ventures, except as described in note 13. These amounts are repayable on demand. The amount due to fellow group undertakings and subsidiary undertakings under the RCF agreements (see note 13) was £13.5 million (2002: £55.5 million) as at the year end.

An amount of £38.3 million (2002: £38.3 million) due to the parent undertaking represents the loan from BSKyB to the ESOP to enable it to purchase the shares in BSKyB as disclosed in note 11. No interest is payable on the loan and the loan is repayable on demand.

Obligations under finance leases are repayable as follows:

	2003 £m	2002 £m
Amounts payable		
– within one year	-	1.4
– between one and two years	-	0.1
	-	1.5

No new finance leases were entered into during the year. Repayments of £1.5 million (2002: £2.4 million) were made during the year.

Notes to financial statements (continued)

16 Called-up share capital

	2003 £m	2002 £m
<i>Authorised</i>		
12,000,000 Ordinary Shares of £1 each	12.0	12.0
<i>Allotted, called-up and fully-paid</i>		
10,000,002 Ordinary Shares of £1 each	10.0	10.0

17 Reconciliation of movements in shareholder's funds (deficit)

	Share capital £m	Share premium account £m	Profit and loss account £m	Total shareholder's funds (deficit) £m
At 1 July 2001	10.0	242.2	(365.9)	(113.7)
Profit for the year	-	-	90.4	90.4
At 1 July 2002	10.0	242.2	(275.5)	(23.3)
Profit for the year	-	-	287.4	287.4
At 30 June 2003	10.0	242.2	11.9	264.1

18 Guarantees and other financial commitments

a) Future expenditure

	2003 £m	2002 £m
Contracted for, but not provided for in the accounts		
- set-top boxes and related equipment	84.0	104.9
- television programme rights (i)	1,617.8	2,165.6
- third party payments (ii)	46.1	58.4
- capital expenditure	1.5	1.8
- other purchase obligations	7.5	-
	1,756.9	2,330.7

(i) Of the commitments for television programme rights, some £692 million (2002: £1,005 million) relates to commitments which are payable in US dollars and are for periods of up to ten years (2002: seven years) and £136 million (2002: nil) relates to commitments in Swiss Francs for periods of up to three years. At 30 June 2003 the US dollar commitments have been translated at the year end rate of US\$1.6497: £1 (2002: US\$1.5347: £1), except for US\$566 million (2002: US\$585 million) covered by forward rate contracts or other hedging instruments, where the average forward or hedged rate of US\$1.4925: £1 (2002: US\$1.3856: £1) has been used. The Swiss franc commitments have been translated at the year end rate of CHF2.2288: £1, except for CHF99 million covered by forward rate contracts where the average forward rate of CHF2.1068:£1 has been used.

The US dollar commitment disclosed above is subject to price escalation clauses in accordance with the terms of certain of the movie programme rights contracts. The extent of the escalation, and hence of the commitments, is

Notes to financial statements (continued)

18 Guarantees and other financial commitments (continued)

dependent upon the number of subscribers to the relevant movie channel in certain cases and upon inflationary increases. If subscriber numbers were to remain at 30 June 2003 levels, the additional commitment in respect of subscriber escalation would be £213 million (US\$351 million) (2002: £251 million (US\$ 386 million)).

(iii) The third party payment commitments in respect of distribution agreements for the Sky Distributed channels disclosed above are subject to price escalation clauses in accordance with the terms of certain of the distribution agreements. The extent of the escalation, and the levels of the commitments, are dependent upon the number of DTH subscribers to the relevant Sky Distributed channels and in certain cases upon inflationary increases. If both the DTH subscriber levels to these channels and the rate payable for each Sky Distributed channel were to remain at 30 June 2003 levels, the additional commitment in respect of subscriber escalation would be £799 million (2002: £885 million), payable for up to six years (2002: six years).

At 30 June 2003, the Company had outstanding forward rate contract commitments to purchase in aggregate US\$903 million (2002: US\$920 million) at an average rate of US\$1.4925:£1 (2002:US\$1.3856:£1).

b) Contingent liabilities

The Company has contingent liabilities by virtue of its indirect investments in unlimited companies or partnerships, which include Nickelodeon UK, The History Channel (UK), Paramount UK, QVC and National Geographic Channel UK. The Directors do not expect any material loss to arise from the above contingent liabilities.

c) Guarantees

The Company has given joint and several guarantees, together with SSSL, a wholly owned subsidiary, in relation to the £200 million and the £600 million revolving credit facilities held by its parent undertaking, BSkyB. The Company has given joint and several guarantees, together with SSSL, in relation to the issue in the US public debt market of US\$300 million of 7.30% Guaranteed Notes repayable in October 2006, US\$600million of 6.875% Guaranteed Notes repayable in February 2009 and in relation to US\$650 million and £100 million Guaranteed Notes issued under Regulation S/144A and subsequently registered with the SEC, both repayable in July 2009.

d) Lease and similar commitments

The minimum annual rentals under these arrangements are as follows:

	Land and buildings £m	Plant and machinery £m	Total £m
Year ended 30 June 2003			
Operating leases and similar arrangements which expire:			
- within one year	0.5	2.2	2.7
- between two and five years	1.5	26.2	27.7
- after five years	7.5	34.6	42.1
	9.5	63.0	72.5
Year ended 30 June 2002			
Operating leases and similar arrangements which expire:			
- within one year	0.8	0.4	1.2
- between two and five years	0.4	10.6	11.0
- after five years	7.7	43.1	50.8
	8.9	54.1	63.0

Notes to financial statements (continued)

18 Guarantees and other financial commitments (continued)

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

19 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 accounts of the Group.

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 accounts of the Group, which are publicly available.

20 Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of British Sky Broadcasting Group plc, 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 BSkyB.

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.

21 Post balance sheet events

On 8 August 2003, it was announced that the Company had successfully bid for all four packages of exclusive live UK rights to FA Premier League football from the beginning of the 2004/05 season to the end of the 2006/07 season, subject to agreeing long-form documentation. The total cost of the new agreement is £1,024 million over three years.

22 Principal investments

Details of the principal investments of the Company are as follows:

Name	Country of incorporation/ registration	Description and proportion of shares held (%)	Principal activity
Direct holdings			
Sky Subscribers Services Limited	England and Wales	2 Ordinary Shares of £1 each (100%)	Providing ancillary functions supporting the satellite television broadcasting operations of the Company
Sky Ventures Limited	England and Wales	912 Ordinary Shares of £1 each (100%)	Holding company for joint ventures
British Sky Broadcasting SA	Luxembourg	12,500 Ordinary Shares of £12 each (100%)	Digital satellite transponder leasing company
Sky New Media Ventures Limited	England and Wales	12,500 Ordinary Shares of £1 each (100%)	Holding company for new media investments
British Interactive Broadcasting Holdings Limited ⁱ	England and Wales	129,740 Ordinary Shares of £1 each (19.9%)	The transmission of interactive services

ⁱ The remaining 80.1% is held by BSkyB.

Notes to financial statements (continued)

23 Regulatory update

Office of Fair Trading ("OFT")

On 5 December 2000 the OFT announced that it was to conduct an inquiry into the affairs of the Company, under the Competition Act 1998 ("Competition Act"), in particular the wholesale supply by the Company of certain of its channels to third party distributors in the UK.ⁱⁱ The Company maintained that it had not infringed the Competition Act and, on 17 December 2002, following submission by the Company of written and oral representations, the OFT announced that the Company had not been found in breach of competition law. Such findings by the OFT may be appealed by third parties who have a "sufficient interest" in accordance with the provisions of the Competition Act.

EC Investigation - FAPL

The EC Commission has commenced investigations into a number of agreements, decisions or practices leading to the acquisition of broadcast rights to football events within the EEA, including the sale of exclusive broadcast rights to Premier League football by the Football Association Premier League Limited ("FAPL"). On 21 June, 2002, the Company and the FAPL notified the Company's current arrangements for the broadcast of FAPL football matches to the EC Commission seeking either a clearance or an exemption from Article 81 of the EC Treaty. The FAPL has also notified the rules of the FAPL to the EC Commission. On 20 December, 2002, the EC Commission issued a Statement of Objections to the FAPL outlining certain concerns in respect of the FAPL's joint selling of broadcast rights to Premier League football. On 30 July 2003 and 3 October 2003, the Group received requests for information from the EC Commission concerning the bidding process undertaken by the FAPL in relation to the sale of Premier League football rights in respect of the three-year period 2004-2007. Whilst this investigation remains ongoing, the FAPL has announced that the Company has been awarded all four packages of exclusive live UK rights to FAPL football and two 'near live' packages of UK rights to FAPL football (both on a delayed basis) from the beginning of the 2004/05 season to the end of the 2006/07 season. The Company is currently unable to assess whether this EC investigation will have a material effect on the Company and its financial results.

EC Investigation - Movie Contracts

The EC Commission is investigating the terms on which movies produced by major US movie studios are supplied to distributors, including pay TV operators, throughout the European Union. The Company is co-operating with this investigation. At this stage, the Company is unable to determine whether it will have a material effect on the Company and its financial results.

ⁱⁱ Where an undertaking has intentionally or negligently infringed the Competition Act, it may be fined up to a maximum of 10% of its total UK turnover for each year it is found to be in breach, up to a maximum of three years. In addition, third parties, such as customers and competitors, may be entitled to recover damages where they have suffered loss as a result of conduct in breach of the Competition Act.