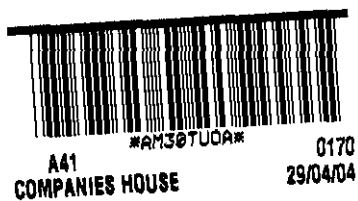


BSkyB Nature Limited

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

Registered number: 3071750



Directors and Officers

For the year ended 30 June 2003

Directors

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

N Chugani	(resigned 4 November 2003)
D J Gormley	(resigned 4 November 2003)
M A Imi	(resigned 4 November 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. The Company has a 50% interest in NGC UK – partnership ("NGC"), a joint venture partnership whose principal activity is the broadcasting of The National Geographic Channel (including a multiplex version) and Adventure One to multi-channel subscribers. 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 7 to 13. The profit before taxation for the financial year was £4,067,000 (2002: £3,341,000). 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. The Directors who held office at 30 June 2003 had the following interests in the shares of British Sky Broadcasting Group plc ("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
N Chugani	3,030 (c)	-	-	-	3,030	£9.90	N/A	23.11.2003	23.11.2010
	-	112,535 (b)	-	-	112,535	£5.30	N/A	05.08.2004	05.08.2012
	154,382 (b)	-	-	-	154,382	£7.94	N/A	06.11.2002	06.11.2011
	65,348 (b)	-	-	-	65,348	£9.90	N/A	23.11.2001	23.11.2010
	42,286 (b)	-	-	-	42,286	£6.385	N/A	29.10.2002	29.10.2009
	1,584 (a)	-	-	1,584	-	£6.112	N/A	N/A	N/A
	-	1,989 (a)	-	-	1,989	£4.75	N/A	01.02.2006	01.08.2006
	3,000(e)	-	3,000	-	-	N/A	£6.07	N/A	N/A
	50,000*(e)	-	23,750	-	26,250	£8.30	£6.30	31.07.02	21.11.2011
	-	20,000*(e)	-	-	20,000	£5.70	N/A	31.07.03	09.08.2012
M A Imi	1,267 (a)	-	-	-	1,267	£6.112	N/A	01.01.2005	01.07.2005
	-	397(a)	-	-	397	£4.75	N/A	01.02.2006	01.08.2006
	36,021 (b)	-	-	-	36,021	£6.385	N/A	29.10.2002	29.10.2009
	42,312(b)	-	-	-	42,312	£7.94	N/A	06.11.2002	06.11.2011
	26,827 (b)	-	-	-	26,827	£9.90	N/A	23.11.2001	23.11.2010
	-	46,421(b)	-	-	46,421	£5.30	N/A	05.08.2004	05.08.2012
	3,030 (c)	-	-	-	3,030	£9.90	N/A	23.11.2001	23.11.2010

Directors' Report (continued)

	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
D J Gormley	1,584 (a)	-	-	1,584	-	£6.112	N/A	N/A	N/A
	-	1,989 (a)	-	-	1,989	£4.75	N/A	26.01.2006	26.07.2006
	-	20,544(b)	-	-	20,544	£5.30	N/A	05.08.2005	05.08.2012
	20,437(b)	-	-	-	20,437	£7.94	N/A	06.11.2004	06.11.2011
	8,311(b)	-	-	-	8,311	£9.90	N/A	23.11.2003	23.11.2010
	22,905(b)	-	-	-	22,905	£6.385	N/A	29.10.2002	29.10.2009
	3,030(c)	-	-	-	3,030	£9.90	N/A	23.11.2003	23.11.2010

(a) Options granted under the BSkyB Sharesave Scheme

(b) Options granted under the BSkyB Unapproved Share Scheme

(c) Options granted under the BSkyB Approved Share Scheme

(d) Awards granted under the BSkyB Long Term Incentive Plan ("LTIP")

(e) Awards granted under the BSkyB Key Contributor Plan ("KCP")

* Subject to the fulfilment of performance criteria half of the options granted are eligible for exercise on the exercise date stated in the above table, with the balance exercisable on the first anniversary after this date.

M D Stewart was also a director of the Company's ultimate parent undertaking, BSkyB, as at 30 June 2003. The interests of this Director 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 11).

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

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.


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,



M D Stewart
Director
19 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 BSKYB Nature Limited:

We have audited the financial statements of BSKYB Nature Limited for the year ended 30 June 2003 which comprise the Profit and Loss account, 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

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 to you 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.

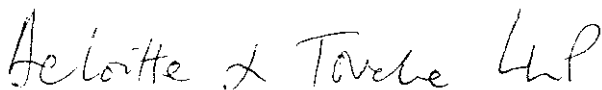
Basis of audit opinion

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 Company's affairs 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
19 April 2004

Profit and loss account

For the year ended 30 June 2003

		2003	2002
	Notes	£000	£000
Share of operating result of NGC	2	4,067	3,341
Profit on ordinary activities before taxation	3	4,067	3,341
Tax on profit on ordinary activities	4	-	-
Retained profit for the financial year	8	4,067	3,341

Details of movements on reserves are shown in note 8.

All results relate to continuing activities.

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

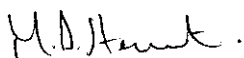
There were no recognised gains or losses in either year other than those included within the profit and loss account.

Balance Sheet

As at 30 June 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Investment in joint venture	5	8,919	4,852
Creditors: Amounts falling due within one year	6	(10,477)	(10,477)
Net current liabilities		(10,477)	(10,477)
Total assets less current liabilities		(1,558)	(5,625)
Net liabilities		(1,558)	(5,625)
Capital and reserves – equity			
Called-up share capital	7	-	-
Profit and loss account	8	(1,558)	(5,625)
Total shareholder's deficit		(1,558)	(5,625)

Signed on behalf of the Board



M D Stewart
Director
19 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 consolidated 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*

The fixed asset investment in NGC, a UK partnership, is stated at the Company's share of the partnership's underlying net assets, with the Company's share of NGC's operating result and tax being shown in the profit and loss account.

The results and financial position of NGC are included on a consolidated basis in the financial statements of BSkyB, a company registered in England and Wales.

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. Share of operating result of NGC

This represents the Company's share of the operating profit and tax charge of its investment in NGC, a UK partnership (see note 5).

3. Profit on ordinary activities before taxation

There were no staff costs during the year as the Company had no employees (2002: nil). Services were provided by employees of other companies within the Group, with no charge being made for their services (2002: nil). The Directors did not receive any remuneration during the year in respect of their services to the Company (2002: nil).

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

4. Taxation

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	4,067	3,341
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	1,220	1,002
Effects of:		
Non-taxable amounts written back against fixed asset investments	(1,220)	(1,002)
Share of taxable profits of partnership in which the Company is a partner:		
Profit before tax	1,247	943
Permanent timing differences	-	-
Depreciation in excess of capital allowances	8	2
Other timing differences	-	86
Group relief claimed free of charge	(1,076)	(903)
Double taxation relief	(179)	(128)
Current tax charge for the year	-	-

Notes to financial statements (continued)

5. Investment in joint ventures

This represents the Company's 50% interest in NGC, a UK Partnership whose principal place of business and registered office is Great West House, Great West Road, Brentford TW8 9DF and a 50% interest in NGC Overseas Holdings Limited, a company incorporated in Great Britain, whose principal activity is to act as a holding company for National Geographic Channel operations based in Israel and Holland.

	Shares in NGC Overseas Holdings Limited £000	Loans to partnership £000	Total £000
Cost and funding			
At beginning and end of year	-	10,477	10,477
Movement in share of underlying assets			
At beginning of year	-	(5,625)	(5,625)
Movement during the year	-	4,067	4,067
At end of year	-	(1,558)	(1,558)
Net book value			
At beginning of year	-	4,852	4,852
At end of year	-	8,919	8,919

Loans to NGC are non-interest bearing, unsecured and have no fixed repayment date.

6. Creditors: Amounts falling due within one year

	2003 £000	2002 £000
Amounts due to parent undertaking	10,477	10,477

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

7. Called-up share capital

	2003 £	2002 £
<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

Notes to financial statements (continued)

8. Reconciliation of movements in shareholder's deficit

The movement on shareholder's deficit includes all movements on reserves.

	Share capital	Profit and loss account	Total
	£000	£000	£000
As at 1 July 2002	-	(5,625)	(5,625)
Profit for the financial year	-	4,067	4,067
As at 30 June 2003	-	(1,558)	(1,558)

9. Contingent liabilities

The Company has contingent liabilities by virtue of its being a partner in NGC. The Directors do not expect any material loss to arise from these contingent liabilities.

10. 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.

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.

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 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.

Notes to financial statements (continued)

12. Financing

The Company's balance sheet at 30 June 2003 shows net current liabilities of £10,477,000 and net liabilities of £1,558,000.

NGC's latest audited statutory financial statements at 30 June 2003 show a cash balance of £14,955,000 and a positive net cash flow of £9,148,000.

The directors of the companies which hold shares in NGC (National Broadcasting Company, Inc., National Geographic Ventures, Inc. and BSkyB Limited) have confirmed that neither those entities nor companies within their groups will demand repayment of any balances owed by NGC except to the extent that such payments can be made while NGC continues to settle its liabilities as they fall due.

The directors of British Sky Broadcasting Limited have confirmed that they will not demand repayment of any intercompany balances due from the Company 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.