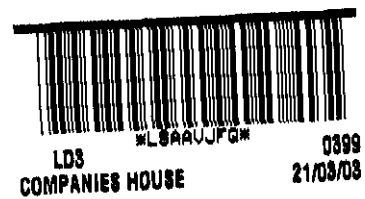


BSkyB Nature Limited

Annual report and accounts
for the year ended 30 June 2001

Registered number: 3071750



Directors and Officers

For the year ended 30 June 2001

Directors

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

R F C Blundell	(resigned 14 November 2000)
N Chugani	(appointed 14 November 2000)
D J Gormley	
M A Imi	
M D Stewart	

Company Secretary

L J Dobson	(appointed 23 November 2000, resigned 7 June 2002)
D J Gormley	(resigned 23 November 2000, appointed 7 June 2002)

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors

Deloitte & Touche
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 2001.

Principal activity and future developments

The Company's principal activity is to act as a holding company. The Company has a 50% interest in National Geographic, a joint venture partnership whose principal activity is the broadcasting of The National Geographic Channel 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 2001 are set out on pages 6 to 12. The profit before taxation for the financial year was £1,511,000 (2000: loss of £1,750,000). The Directors do not recommend the payment of a dividend for the year ended 30 June 2001 (2000: 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 2001 had the following interests in the shares of British Sky Broadcasting Group plc ("BSkyB"):

Options and awards over shares in BSkyB

	At 30 June 2000 or on appointment	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2001	Exercise Price	Market price at date of exercise	Date from which exercisable	Expiry date
N Chugani	2,579 (a)	-	-	-	2,579	£3.78	-	01.12.2001	01.06.2002
	42,286 (b)	-	-	-	42,286	£6.385	-	29.10.2002	29.10.2009
	22,095 (b)	-	-	-	22,095	£5.01	-	01.12.2001	01.12.2008
	- 65,348 (b)	-	-	-	65,348	£9.90	-	23.11.2001	22.11.2010
	- 3,030 (c)	-	-	-	3,030	£9.90	-	23.11.2001	23.11.2010
	20,000 (d)	-	3,800	200	16,000	-	£10.10	01.12.2001	29.08.2010
D J Gormley	5,711 (a)	-	5,711	-	-	£3.02	£10.75	01.01.2001	01.07.2001
	24,341 (b)	-	-	-	24,341	£5.01	-	01.12.2001	01.12.2005
	22,905 (b)	-	-	-	22,905	£6.385	-	29.10.2002	29.10.2009
	- 997 (a)	-	-	-	997	£9.71	-	01.01.2004	30.06.2004
	- 8,311 (b)	-	-	-	8,311	£9.90	-	23.11.2001	23.11.2010
	- 3,030 (c)	-	-	-	3,030	£9.90	-	23.11.2001	23.11.2010
M A Imi	515 (a)	-	-	-	515	£3.78	-	01.12.2001	01.06.2002
	2,096 (a)	-	2,096	-	-	£3.72	£10.75	01.01.2001	01.07.2001
	23,817 (c)	-	-	-	23,817	£5.01	-	01.12.2001	01.12.2005
	36,021 (b)	-	-	-	36,021	£6.385	-	29.10.2002	29.10.2009
	- 3,030 (c)	-	-	-	3,030	£9.90	-	23.11.2001	22.11.2010
	- 26,827 (c)	-	-	-	26,827	£9.90	-	23.11.2001	22.11.2010

Directors' report (continued)

Directors and their interests (continued)

- (a) Options granted under the BSKyB Sharesave Scheme
- (b) Options granted under the BSKyB Unapproved Executive Share Option Scheme
- (c) Options granted under the BSKyB Approved Executive Share Option Scheme
- (d) Awards granted under the BSKyB Key Contributor Plan ("KCP")

M D Stewart is also a Director of the Company's ultimate parent undertaking, BSKyB. The interests of this Director in the share capital of BSKyB are shown in the accounts of that company for the year ended 30 June 2001.

Awards under the KCP take the form of a contingent right to acquire existing BSKyB Ordinary Shares at the vesting date. The number of shares received varies to the extent that performance conditions have been achieved. KCP awards shown have been granted in the form of a contingent right to acquire shares at no cost, or in the form of a market value option with a cash bonus equal to the exercise price. 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 in this form are treated as having lapsed and participants become eligible to receive shares, for no consideration, equal to the value of their vested awards.

The BSKyB ESOP is interested in 3.4 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.

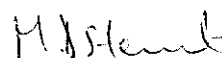
During the year ended 30 June 2001 the BSKyB share price traded within the range of £6.42 to £13.20 per share. The middle-market closing price on the last working day of the financial year was £6.84.

Auditors

On 31 July 2002, Arthur Andersen resigned as auditors and Deloitte & Touche were appointed in their place. The Directors will place a resolution before the next annual general meeting to appoint Deloitte & Touche on an ongoing basis. The Directors passed an Elective Resolution on 4 April 1997 to dispense with the annual re-appointment of auditors.

Grant Way
Isleworth
Middlesex
TW7 5QD

By order of the Board,



M Stewart
Director
21 March 2003

Directors' responsibilities

Accounts, including adoption of going concern basis

United Kingdom company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for 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 2001 which comprise the Profit and Loss account, the Balance Sheet and the related Notes numbered 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 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 as at 30 June 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
London
21 March 2003

Profit and loss account
For the year ended 30 June 2001

	Notes	2001 £000	2000 £000
Share of operating result of NGC	2	1,511	(1,750)
Profit (loss) on ordinary activities before taxation	3	1,511	(1,750)
Taxation	4	-	-
Retained profit (loss) for the financial year	8	1,511	(1,750)

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 for that year.

Balance Sheet

As at 30 June 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Investments	5	1,511	-
Creditors: Amounts falling due within one year			
	6	(10,477)	(10,477)
Net current liabilities		(10,477)	(10,477)
Net liabilities		(8,966)	(10,477)
Capital and reserves – equity			
Called-up share capital	7	-	-
Profit and loss account	8	(8,966)	(10,477)
Total shareholders' deficit		(8,966)	(10,477)

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

Signed on behalf of the Board



M Stewart
Director
21 March 2003

Notes to accounts

1. Accounting policies

The principal accounting policies are summarised below. All of these have been applied consistently throughout the year and the preceding year, with the exception of the change in accounting policy resulting from the adoption of FRS 19 "Deferred tax".

a) *Basis of accounting*

The accounts have been prepared under the historical cost convention and in accordance with applicable financial reporting and accounting standards, including the following Financial Reporting Standards issued by the Accounting Standards Board which have come into force since the previous year end:

FRS 17 – Retirement benefits

This standard addresses the measurement and valuation of retirement benefit pension schemes. Compliance with this standard has not given rise to any change in accounting policies or any restatement of figures reported for prior periods since the Company provides pensions to eligible employees through the BSKyB pension plan, which is a defined contribution plan.

FRS 18 – Accounting policies

This standard addresses the adoption of appropriate accounting policies, judged against the objectives of relevance, reliability, comparability and understandability. Compliance with this standard has not given rise to any change in accounting policies or any restatement of figures reported for prior periods.

FRS 19 – Deferred tax

This standard addresses the recognition, on a full provision basis, of deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation.

The Company maintains a 52-53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal 2001, this date was 1 July 2001, this being a 52 week year (2000: 2 July 2000, 53 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. The Company is also, on this basis, exempt from the requirement of FRS 1 (Revised) to present a cash flow statement.

b) *Investments*

Investments in limited companies are stated at cost, less provision for 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 investment such that the carrying value of the investments is not greater than the Company's share of the underlying net tangible assets or liabilities.

The investment in NGC-UK Partnership ("NGC") 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 thereon being shown in the profit and loss account.

The investment in NGC is equity accounted for in the consolidated financial statements of BSKyB.

c) *Taxation*

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

Notes to accounts (continued)

(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.

On adoption of FRS 19 "Deferred tax", the Company has changed its accounting policy in respect of deferred taxation. This change in accounting policy has not given rise to any restatement of figures reported for prior periods.

2. Share of operating result of NGC

This represents the company's share of the operating result of its investment in NGC, a UK partnership (see note 5). The audited accounts for NGC for the year ended 30 June 2001 have yet to be formally approved or signed.

3. Profit (loss) on ordinary activities before taxation

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

Amounts paid to the auditors for audit services were borne by another Group undertaking in the year and the preceding year. No amounts for other services have been paid to the auditors.

4. Taxation

a) Analysis of tax charge in year

The tax charge for the year is nil (2000: nil). The Company has adopted FRS 19 "Deferred tax", during the year. The change in accounting policy has not given rise to any restatement of figures reported for prior periods.

Notes to accounts (continued)

4. Taxation

b) Factors affecting the tax charge for the year

	2001 £000	2000 £000
Profit (loss) on ordinary activities before taxation	1,511	(1,750)
Profit (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2000: 30%)	453	(525)
Effects of:		
Amounts written back against fixed asset investments not deductible (taxable) for tax purposes	(453)	525
Share of taxable profits (losses) of partnership in which the Company is a partner		
Profit (loss) before tax	43	(808)
Permanent timing differences	27	11
Depreciation in excess of capital allowances	16	11
Other timing differences	271	(95)
Group relief (claimed) surrendered free of charge	(224)	881
Double taxation relief	(133)	-
Current tax charge for the year	-	-

5. Investments

The Company has a 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 whose principal activity is the broadcasting of The National Geographic Channel to multi-channel subscribers, and a 50% interest in NGC Overseas Holdings Limited, a company incorporated in England and Wales, 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	-	(10,477)	(10,477)
Movement during the year	-	1,511	1,511
At end of year	-	(8,966)	(8,966)
Net book value			
At beginning of year	-	-	-
At end of year	-	1,511	1,511

Loans to the National Geographic partnership are non-interest bearing, unsecured and have no fixed repayment date.

Notes to accounts (continued)

6. Creditors: Amounts falling due within one year

	2001	2000
	£000	£000
Amounts due to parent undertaking	10,477	10,477

Amounts due to parent undertaking are non-interest bearing and are payable on demand.

Sky Ventures Limited, the Company's parent undertaking, has agreed that for twelve months from the date of signing of the accounts they will only demand payment of amounts due to that company to the extent that similar payments are received from the Company's investments and that any third party liabilities of the Company continue to be settled as they fall due.

7. Called-up share capital

	2001	2000
	£	£
<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

8. Reconciliation of movements in shareholders' deficit

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

	Share capital	Profit and loss account	Total
	£000	£000	£000
As at 1 July 2000	-	(10,477)	(10,477)
Profit for the financial year	-	1,511	1,511
As at 30 June 2001	-	(8,966)	(8,966)

9. Contingent liabilities

The Company has contingent liabilities by virtue of its investment in the National Geographic partnership. The Directors do not expect any material loss to arise from these contingent liabilities.

10. Transactions with related parties

The Company has taken advantage of the exemption given by FRS 8 "Related Party Disclosures" not to provide further details of these transactions or those with fellow group undertakings 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.

Notes to accounts (continued)

11. Ultimate parent undertaking

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

The only group in which the results of the Company are consolidated is that headed by BSkyB, the Company's ultimate parent undertaking. 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. Financing

As at 30 June 2001 the Company's balance sheet showed net current liabilities and net liabilities of £8,966,000.

National Geographic has not required funding from the partners since November 2001. The partnership's latest unaudited management accounts, which show a cash balance of £6,563,000, and partnership's projections for the coming year indicate that the partnership is cash flow positive. Furthermore, the partnership has operated on the understanding that balances with the partners will not be demanded except to the extent that these can be made while the partnership continues to settle its liabilities as they fall due. While there is currently no formal agreement to this effect, the Directors expect this to continue.

While there can be no certainty that actual results will be in line with those projected, on this basis the Directors believe the partnership and the Company will continue to be able to operate within the funding available. Accordingly, the Company's Directors have drawn up these accounts on a going concern basis.