

SKY SUBSCRIBERS SERVICES LIMITED

**ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1995
TOGETHER WITH THE DIRECTORS'
AND AUDITORS' REPORTS**

The company's registered number is 2340150



SKY SUBSCRIBERS SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1995

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the year ended 30 June 1995.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company during the year was the provision of ancillary functions supporting the satellite television broadcasting operations of its parent company, British Sky Broadcasting Limited.

RESULTS AND DIVIDENDS

Results for the year are as follows:

	£'000
Accumulated deficit at beginning of year	(60,668)
Retained profit for the year	<u>29,707</u>
Accumulated deficit at end of year	<u>(30,961)</u>

No dividends have been paid or proposed for the year (1994 - £nil)

SKY SUBSCRIBERS SERVICES LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS

The current directors and those who served during the year are as follows:

R. J. Brooke	(appointed 2 February 1995)
N. J. Carrington	(appointed 31 July 1995)
D. Chance	(appointed 2 February 1995)
S.H. Chisholm	
C.K. Mackenzie	(appointed 2 February 1995)
F. Barlow	(resigned 2 February 1995)
M. Crepon	(resigned 2 February 1995)
T.F.J. Dettloff	(resigned 2 February 1995)
A. A. Fischer	(resigned 2 February 1995)
K.C. Mackenzie	(resigned 12 August 1994)
K.R. Murdoch	(resigned 2 February 1995)
A. Siskind	(resigned 2 February 1995)
H.E. Staunton	(resigned 10 November 1994)
J.B.S. Tibbits	(resigned 10 November 1994)

R. J. Brooke, D. Chance and S. H. Chisholm are also directors of British Sky Broadcasting Group plc ("BSkyB"). Other than as disclosed in the 1995 Annual Report of BSkyB, none of the directors had any interests in the shares of the company or of any other company within the BSkyB group of companies ("the group") during the year.

Mr K.R. Murdoch, a director of the company for the period up to 2 February 1995 has a significant interest in The News Corporation Limited and therefore in companies within the News Corporation Limited group of companies which had certain significant contracts with the company as set out in note 17.

FIXED ASSETS

The movements in tangible fixed assets during the year are set out in note 8 to the accounts.

EMPLOYMENT OF DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

SKY SUBSCRIBERS SERVICES LIMITED

DIRECTORS' REPORT (Continued)

EMPLOYEE CONSULTATION

It is the policy of the company to develop employee involvement throughout the organisation and to ensure that they are aware of the financial and economic factors affecting the company and the group.

Communication meetings between management and employees' representatives are held both formally and informally, where matters of specific interest are discussed. Consultation with employees or their representatives occurs on a regular basis covering pensions and health and safety and their views are taken into consideration when making decisions. A range of training programmes is held for employees.

AUDITORS

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

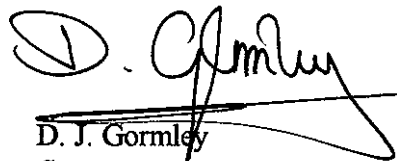
LIABILITY INSURANCE FOR COMPANY OFFICERS

As permitted by the Companies Act 1985 (as amended) the company has maintained insurance cover for the directors and officers against liabilities in relation to their responsibilities as directors and officers.

6 Centaurs Business Park
Grant Way
Isleworth
Middlesex TW7 5QD

24 April, 1996

By order of the Board


D. J. Gormley
Secretary

SKY SUBSCRIBERS SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES

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 for that year. In preparing the accounts the directors are required:

- to select suitable accounting policies and then apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- to prepare the accounts on the 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 to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that these accounts comply with these requirements.

AUDITORS' RESPONSIBILITIES

Company law requires the auditors to form an independent opinion on the accounts presented by the directors based on their audit and to report their opinion to the shareholders. The Companies Act 1985 also requires auditors to report to the shareholders if the following requirements are not met:

- that the company has maintained proper accounting records and that proper returns adequate for the audit have been received from branches not visited by them;
- that the accounts are in agreement with the accounting records and returns;
- that directors' emoluments and other transactions with directors are properly disclosed in the accounts; and
- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit.

Additionally, the Companies Act 1985 requires the auditors to report to the shareholders if the matters contained in the report of the directors are inconsistent with the accounts.

SKY SUBSCRIBERS SERVICES LIMITED

AUDITORS' REPORT

To the Members of Sky Subscribers Services Limited

We have audited the accounts on pages 6 to 16 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company as at 30 June 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS

24 April, 1996

SKY SUBSCRIBERS SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1995

	Notes	1995 £'000	1994 £'000
Turnover	2	79,984	59,839
Operating expenses	3	<u>(50,301)</u>	<u>(48,726)</u>
Operating profit		29,683	11,113
Interest receivable and similar income	4	<u>24</u>	<u>17</u>
Profit on ordinary activities before taxation	5	29,707	11,130
Taxation	7	<u>-</u>	<u>-</u>
Retained profit for the financial year	15	29,707	11,130
Accumulated deficit, at beginning of year		<u>(60,668)</u>	<u>(71,798)</u>
Accumulated deficit, at end of year		<u>(30,961)</u>	<u>(60,668)</u>

The accompanying notes are an integral part of this profit and loss account.
Details of movements in reserves are shown in note 15.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 30 JUNE 1995

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

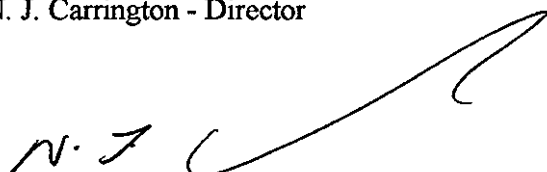
SKY SUBSCRIBERS SERVICES LIMITED

BALANCE SHEET AS AT 30 JUNE 1995

	Notes	1995 £'000	1994 £'000
Fixed Assets			
Tangible Assets	8	<u>12,150</u>	<u>9,465</u>
Current Assets			
Stock		131	-
Debtors	9	4,372	31,881
Cash at bank and in hand	10	<u>23,156</u>	<u>40,099</u>
		27,659	71,980
Creditors: Amounts falling due within one year	11	<u>(64,145)</u>	<u>(138,648)</u>
Net current liabilities		<u>(36,486)</u>	<u>(66,668)</u>
Total assets less current liabilities		(24,336)	(57,203)
Creditors: Amounts falling due after more than one year	12	(5,735)	(2,575)
Provisions for liabilities and charges	13	<u>(890)</u>	<u>(890)</u>
		<u>(30,961)</u>	<u>(60,668)</u>
Capital and Reserves			
Called up share capital	14	-	-
Profit and loss account	15	<u>(30,961)</u>	<u>(60,668)</u>
		<u>(30,961)</u>	<u>(60,668)</u>

Signed on behalf of the Board

N. J. Carrington - Director



24 April, 1996

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

SKY SUBSCRIBERS SERVICES LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year, are:

a) Basis of accounting

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

In accordance with the provisions of paragraph 8(c) of Financial Reporting Standard Number 1, the company has not presented a cash flow statement because its ultimate parent company, BSkyB, has prepared consolidated accounts which include the results of the company for the year and which contain a cash flow statement.

b) Turnover

Turnover, which excludes value added tax, arises from the company's principal activity of providing ancillary functions supporting the satellite television broadcasting operations of its parent company, British Sky Broadcasting Limited.

c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Where appropriate, government grants are reported as deferred income and amortised over the expected useful life of the asset concerned.

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.

The principal annual rates are as follows:

Computer equipment	-	25%
Plant and machinery	-	20%
Fixtures and fittings	-	15% to 20%
Leasehold improvements	-	10%

SKY SUBSCRIBERS SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued)

d) Leases

Assets held under finance leases are treated as tangible fixed assets, depreciation is provided accordingly and the deemed capital element of future rentals is included within creditors. Deemed interest, calculated on a reducing balance basis, 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.

e) Taxation

Corporation tax payable is provided at current rates on all taxable profits.

Losses are surrendered between companies in the group for no consideration. No credit is recognised for losses carried forward.

f) Pension Costs

The company provides pensions to eligible employees through the group pension plan which is a defined contribution plan. The assets of the plan are held independently of the group.

The amount charged to the profit and loss account is based on the contributions payable for the year.

2. TURNOVER

The company provides support services and acts as an agent for the group's subscription business. The company makes a charge in respect of new and existing subscribers for the provision of the service.

Accordingly, all turnover arose within the United Kingdom, and is derived principally from the provision of these support services.

3. OPERATING EXPENSES

These principally comprise costs incurred providing the group's broadcasting operations with customer service and other ancillary functions.

SKY SUBSCRIBERS SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	1995 £'000	1994 £'000
Bank interest	<u>24</u>	<u>17</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	1995 £'000	1994 £'000
Depreciation	2,942	2,538
Amortisation of government grant	(274)	(169)
Hire of other assets	365	206
Staff costs (see note 6)	13,223	9,774
Auditors remuneration - non audit services	<u>30</u>	<u>-</u>

Fees paid to Arthur Andersen for audit services for both years were borne by another group undertaking.

6. STAFF COSTS

Employee costs during the year amounted to:

	1995 £'000	1994 £'000
Wages and salaries	12,188	9,014
Social security costs	836	639
Pension costs	199	121
	<u>13,223</u>	<u>9,774</u>

The average weekly number of persons employed by the company during the year was 1,429 (1994 - 1,098).

SKY SUBSCRIBERS SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

Directors remuneration

The directors received no remuneration in respect of their services as directors of the company (1994 - £nil).

Pensions

The group operates a defined contribution plan, contributions to which are charged to the profit and loss account on an accruals basis. The pension charge for the year represents contributions payable by the company to the plan and amounted to £199,000 (1994 - £121,000). Contributions totalling £nil were payable at the year end (1994 - £nil).

7. TAXATION

The tax charge for the year is £nil (1994 - £nil) since any taxable profit of the company is covered by brought forward trading losses or group relief, for which no consideration is payable.

8. TANGIBLE FIXED ASSETS

The movement in the year was as follows:

	Leasehold improvements	Plant, fixtures and fittings	Satellite television receiving equipment	Total
	£'000	£'000	£'000	£'000
Cost				
30 June 1994	4,210	10,854	58,928	73,992
Additions	3,344	2,283	-	5,627
Disposals	-	-	(31,150)	(31,150)
30 June 1995	<u>7,554</u>	<u>13,137</u>	<u>27,778</u>	<u>48,469</u>
Depreciation				
30 June 1994	555	5,044	58,928	64,527
Charge for the year	421	2,521	-	2,942
Disposals	-	-	(31,150)	(31,150)
30 June 1995	<u>976</u>	<u>7,565</u>	<u>27,778</u>	<u>36,319</u>
Net book value				
30 June 1994	<u>3,655</u>	<u>5,810</u>	<u>-</u>	<u>9,465</u>
30 June 1995	<u>6,578</u>	<u>5,572</u>	<u>-</u>	<u>12,150</u>

Included in the net book value of leasehold improvements are assets held under finance leases amounting to £3,189,000 (1994: £nil).

SKY SUBSCRIBERS SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

9. DEBTORS

	1995 £'000	1994 £'000
Amounts falling due within one year:		
Trade debtors	607	1,507
Amounts due from other group undertakings	-	28,611
VAT	2,686	1,393
Other debtors	174	124
Prepayments and accrued income	905	246
	<u>4,372</u>	<u>31,881</u>

10. CASH AT BANK AND IN HAND

In accordance with the terms of the group's arrangements with Midland Bank, the cash at bank balance is set off against borrowings elsewhere within the group and so is not available for any other purpose. No interest is receivable from other group undertakings in respect of these arrangements.

11. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995 £'000	1994 £'000
Trade creditors	1,686	751
Amounts owed to other group undertakings	46,809	124,550
Amounts owed to related parties	4,156	3,133
Social security and PAYE	252	209
Other creditors	5,793	6,326
Accruals and deferred income	4,975	3,510
Government grant	274	169
Obligations under finance leases	200	-
	<u>64,145</u>	<u>138,648</u>

No interest is payable on amounts due to other group undertakings.

SKY SUBSCRIBERS SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1995 £'000	1994 £'000
Loan wholly repayable within five years	1,938	1,938
Government grant	808	637
Obligations under finance leases	2,989	-
	<u>5,735</u>	<u>2,575</u>

The loan is a European Coal and Steel Community loan bearing interest at 8.7% per annum, repayable in December 1997 and secured by a supported unlimited multilateral guarantee given by the company, BSkyB and Sky Television Limited. The interest on this loan is borne by another group undertaking.

Obligations under finance leases represent amounts drawn down under a new finance lease facility in connection with the new Subscriber Management Centre in Dunfermline.

Obligations under this finance lease are payable as follows :

	1995 £'000
Amounts payable	
- within 1 year	200
- within 2 to 5 years	106
- after 5 years	2,883
	<u>3,189</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	1995 £'000	1994 £'000
Provisions set up at the acquisition of the Sky Group by BSkyB.	<u>890</u>	<u>890</u>

SKY SUBSCRIBERS SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

14. CALLED UP SHARE CAPITAL

	1995 £	1994 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

Movement on shareholders' deficit includes all movements on reserves

	Share capital £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 30 June 1993	-	(71,798)	(71,798)
Profit for the year	-	11,130	11,130
At 30 June 1994	-	(60,668)	(60,668)
Profit for the year	-	29,707	29,707
At 30 June 1995	-	(30,961)	(30,961)

16. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Guarantees:

The company and certain other group undertakings have given joint and several guarantees in relation to the £500 million and £400 million Revolving Credit Facilities drawn down by a fellow subsidiary, BSkyB Finance Limited.

SKY SUBSCRIBERS SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

Lease Commitments:

The company leases certain land and buildings on short and long term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The minimum annual rentals under these leases are as follows:

	Property	Plant and Machinery	Property	Plant and Machinery
	1995	1995	1994	1994
	£'000	£'000	£'000	£'000
Operating leases which expire				
- within 1 year	-	12	-	-
- within 2 - 5 years	-	-	-	17
- after 5 years	360	-	350	-
	<u>360</u>	<u>12</u>	<u>350</u>	<u>17</u>

Subsequent to the year end the company purchased the freehold of these properties, and consequently the obligations under the leases (as shown above) have lapsed.

Capital Commitments:

	1995	1994
	£'000	£'000
Contracted but not provided in the accounts	<u>8,415</u>	-

SKY SUBSCRIBERS SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

17. RELATED PARTY TRANSACTIONS

The company conducts business transactions on a normal commercial basis with, and receives a number of services from, shareholder companies of British Sky Broadcasting Group plc, or members of their groups.

These principally comprise the supply of smart cards and encryption services with a value of £19.6 million (1994:£21.7 million) by News Datacom Limited, a member of The News Corporation Limited group of companies, and the collection of subscriptions and the management of the company's former rental database by Granada UK Rental and Retail Limited for a fee of £8.6 million (1994:£8.0 million).

18. ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of British Sky Broadcasting 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 company, registered in England and Wales, whose principal place of business is 6 Centaurs Business Park, Grant Way, Isleworth, Middlesex, TW7 5QD. The consolidated accounts of the group are available to the public and may be obtained from this address.

19. FINANCING ARRANGEMENTS

The company's balance sheet at 30 June 1995 shows net current liabilities of £36,486,000 and an accumulated deficit of £30,961,000. The company is principally funded by interest free advances from other group undertakings. The directors of British Sky Broadcasting Limited have confirmed that repayment of these amounts will not be sought in the foreseeable future except to the extent that repayments may be made whilst the company continues to meet all third party liabilities as they fall due.

Accordingly the accounts have been prepared assuming that the company will continue as a going concern.