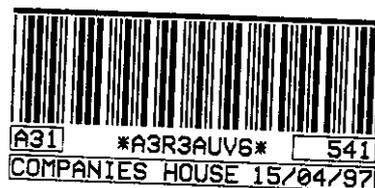


ARTHUR ANDERSEN

Kidsprog Limited

Accounts for the year ended to 30 June 1996
together with the Directors' and Auditors' reports

Registered number: 2767224



Directors and Officers

Directors

The Company's present Directors and those who served during the year are:

R J Brooke
N J Carrington (appointed 31st July 1995)
D C Chance
S H Chisholm
C K Mackenzie

Secretary

D J Gormley

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors

Arthur Andersen
1 Surrey Street
London
WC2R 2PS

Directors' report

For the year ended 30 June 1996

The Directors present their report on the affairs of the Company, together with the accounts and auditors' report, for the year 30 June 1996.

Principal activity

The company's principal activity is to act as a holding company for the British Sky Broadcasting group's 50% investment in Nickelodeon UK, a joint venture company set up to operate a children's satellite television channel.

Results for the year

The loss for the year was £199,000 (1995: £3,055,000).

No dividends have been paid or proposed for the year (1995: £nil).

Directors and their interests

The Directors of the Company are as shown on page 1.

R J Brooke, D C Chance and S H Chisholm are also Directors of the ultimate parent company, British Sky Broadcasting Group plc ("BSkyB") and their interests in the share capital of BSKyB are shown in the accounts of that company for the year ended 30 June 1996. N J Carrington was appointed as an alternate Director of BSKyB to D.C. Chance on 14 August 1996.

At 30 June 1996, N J Carrington had an option over 218,111 ordinary shares under the BSKyB Approved Executive Share Option Scheme at a price of £3.45 per share. The options are exercisable at any time on or after 18 August 1998 up to and including 18 August 2005.

None of the other Directors had any interest in the shares of the Company, BSKyB or its group of companies (the "Group") at 30 June 1996.

Liability insurance for Company Officers

As permitted by the Companies Act 1985 (as amended), the Group has maintained insurance cover for the Directors and Officers against liabilities in relation to the Group's activities.

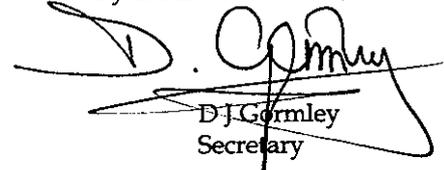
Auditors

The company passed an Elective Resolution on 25 March 1994 to dispense with the reappointment of auditors.

Grant Way
Isleworth
Middlesex
TW7 5QD

3 April 1997

By order of the Board,


D.J. Gormley
Secretary

Directors' and Auditors' responsibilities

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 of the Company for that year. In preparing these 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 the 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 the 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.

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.

Auditors' report

To the Shareholders of Kidsprog Limited:

We have audited the accounts on pages 5 to 10 which have been prepared under the historical cost convention, and in accordance with the accounting policies set out on page 7.

Respective responsibilities of Directors and Auditors

As described on page 3 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 accounts 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 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 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 Company's state of affairs at 30 June 1996 and of the Company's loss 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

3 April 1997

Profit and loss account

For the year ended 30 June 1996

	Notes	30 June 1996	30 June 1995
		£'000	£'000
Interest receivable and similar income	2	452	369
Interest payable and similar charges	2	(452)	(369)
Amounts written off investments	3	(199)	(3,055)
Loss on ordinary activities before taxation	4	<u>(199)</u>	<u>(3,055)</u>
Taxation	5	-	-
Retained loss for the year	10	<u><u>(199)</u></u>	<u><u>(3,055)</u></u>

Details of movements in reserves are shown in note 10.

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

Statement of total recognised gains and losses

For the year ended 30 June 1996

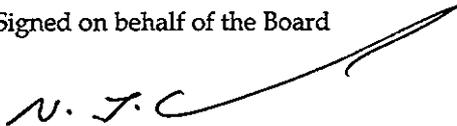
There were no recognised gains or losses other than those included within the profit and loss account for the year (1995: £nil).

Balance sheet

30 June 1996

	Notes	30 June 1996 £'000	30 June 1995 £'000
Fixed assets			
Investments	6	3,080	1,469
		<hr/>	<hr/>
Current assets			
Debtors	7	452	369
Creditors: amounts falling due within one year	8	(11,038)	(9,145)
Net current liabilities		<hr/> (10,586) <hr/>	<hr/> (8,766) <hr/>
		<hr/> (7,506) <hr/>	<hr/> (7,307) <hr/>
Capital and reserves			
Called-up share capital	9	-	-
Profit and loss account	10	(7,506)	(7,307)
	10	<hr/> (7,506) <hr/>	<hr/> (7,307) <hr/>

Signed on behalf of the Board



N J Carrington - Director
3 April 1997

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

Notes to accounts

30 June 1996

1. Accounting Policies

The principal accounting policies, all of which have been applied consistently throughout the 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.

Under the provisions 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.

The Company has taken advantage of S228 of the Companies Act 1985 and has not prepared group accounts for the year.

b) *Fixed asset investments*

Fixed asset investments are shown at cost less amounts written off. Provisions are made for permanent diminution in value. 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 tangible assets.

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.

2 Interest receivable and interest payable

This relates to the interest charges made to Nickelodeon UK and the interest costs incurred on funding from the parent company.

3. Amounts written off investments

This represents amounts written off against the cost of the loans advanced to and shares purchased in Nickelodeon UK which are in excess of the Company's share of the net assets of Nickelodeon UK.

4. Loss on ordinary activities before taxation

There were no staff costs as the Company has no employees (1995: nil). Services are provided by employees of other companies within the Group with no charge being made (1995: nil). The Directors did not receive any remuneration during the year in respect of their duties as Directors of the Company (1995: nil).

Fees paid to the auditors for audit services in the year for their services were borne by another Group company. No other fees have been paid to the auditors in the year (1995: nil).

5. Taxation

There were no profits chargeable to corporation tax for the year to 30 June 1996 (1995: nil).

Notes to accounts (continued)

6. Fixed asset investments

These represent the cost of the Company's investments in Nickelodeon UK, an unlimited company registered in England and Wales. At 30 June 1996, the Company held 102 "B" shares of 1 pence each, representing 50% of the issued share capital. The principal activity of Nickelodeon UK is to operate a children's satellite television channel.

Cost	Loans	Shares	Total
	£'000	£'000	£'000
Beginning of year	6,609	2,167	8,776
Loans advanced to associated undertakings	1,810	-	1,810
Repayment of loan	(2,221)		(2,221)
Purchase of 1 B ordinary share	-	2,221	221
End of year	<u>6,198</u>	<u>4,388</u>	<u>10,586</u>
Provision			
Beginning of year	(5,140)	(2,167)	(7,307)
Transfer	2,221	(2,221)	-
Provision against recoverability of loans advanced to associated undertakings (see note 3)	(199)	-	(199)
End of year	<u>(3,118)</u>	<u>(4,388)</u>	<u>(7,506)</u>
Net book value			
Beginning of year	<u>1,469</u>	<u>-</u>	<u>1,469</u>
End of year	<u>3,080</u>	<u>-</u>	<u>3,080</u>

On 13 September 1995, £2,221,235 of the loan balance advanced to Nickelodeon UK in the year ended 30 June 1995 was repaid, and the proceeds were used to subscribe for a further one B ordinary share in Nickelodeon UK. On 10 October 1996, £721,000 of the loan balance advanced in the year ended 30 June 1996 was repaid, and the proceeds were used to subscribe for a further one B ordinary share. Following this the Company's interest in the ordinary share capital of Nickelodeon UK remains at 50%.

7. Debtors

	30 June 1996	30 June 1995
	£	£
Interest receivable from associated undertakings	<u>452</u>	<u>369</u>

Notes to accounts (continued)

8. Creditors: Amounts falling due within one year.

	30 June 1996 £	30 June 1995 £
Due to parent company	<u>11,038</u>	<u>9,145</u>

The amounts due to parent company are interest free and repayable on demand.

9. Called-up share capital

	30 June 1996 £	30 June 1995 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called-up and fully-paid</i>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

10. Reconciliation of movements in shareholders' deficit

	Share capital £'000	Profit and loss account £'000	Total £'000
30 June 1994	-	(4,252)	(4,252)
Loss for the year	-	<u>(3,055)</u>	<u>(3,055)</u>
30 June 1995	-	(7,307)	(7,307)
Loss for the year	-	<u>(199)</u>	<u>(199)</u>
30 June 1996	<u>-</u>	<u>(7,506)</u>	<u>(7,506)</u>

11. Financing

The Company's balance sheet as at 30 June 1996 shows net liabilities of £7,506,000. The Directors of British Sky Broadcasting Limited have confirmed that they will continue to provide support to Kidsprog Limited to enable the Company to meet its liabilities as they fall due at least until 4 April 1998.

Accordingly, the accounts have been prepared assuming the Company will continue as a going concern.

Notes to accounts (continued)

12. 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, whose principal place of business is Grant Way, Isleworth, Middlesex, TW7 5QD. The consolidated accounts of the Group are available to the public and may be obtained from the above address.