Kidsprog Limited

Accounts for the year ended 30 June 1999
together with the Directors' and Auditors' reports

Registered number: 2767224

Directors and Officers

For the year ended 30 June 1999

Directors

The company's present directors and those who served during the year are as follows:

J J Ackerman	(resigned 8 September 1998)
R F C Blundell	
D J Gormley	
M D Stewart	
M A Imi	(appointed 8 March 1999)

Company 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 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year to 30 June 1999.

Principal activity and business review

The company's principal activity is to act as a holding company for its ultimate parent company, the British Sky Broadcasting Group plc ("BSkyB"). During the year the company held a 50% investment in Nickelodeon UK, an unlimited company set up to operate a children's satellite television channel.

Results for the year

The profit for the financial year was £1,147,000 (1998 - £1,066,000).

No dividends have been paid or proposed for the year (1998 - £nil).

Directors and their interests

The directors of the company are as shown on page 1.

M D Stewart is also a director of the ultimate parent company, BSkyB. The interests of M D Stewart in the share capital of BSkyB are shown in the accounts of that company for the year ended 30 June 1999.

As at 30 June 1999 and 30 June 1998, R F C Blundell had an option over 8,414 ordinary shares under the BSkyB Sharesave Scheme at a price of £2.05 per share. The option is exercisable at any time on or after 1 March 2000 up to and including 1 September 2000. In addition as at 30 June 1999 and 30 June 1998, R F C Blundell had an option over 152,734 ordinary shares under the BSkyB Unapproved Executive Share Option Scheme at a price of £5.01 per share, exercisable from 1 December 2001 to 1 December 2005.

As at 30 June 1999 and 30 June 1998 D J Gormley had an option over 5,711 ordinary shares under the BSkyB Sharesave Scheme at a price of £3.02 per share. The option is exercisable at any time on or after 1 February 2001 up to and including 1 August 2001. In addition as at 30 June 1999 and 30 June 1998, D J Gormley had an option over 24,341 ordinary shares under the BSkyB Unapproved Executive Share Option Scheme at a price of £5.01 per share, exercisable from 1 December 2001 to 1 December 2005.

As at 30 June 1999 and 8 March 1999, M A Imi had options over 515 ordinary shares under the BSkyB Sharesave Scheme at a price of £3.78 per share and an additional 2,096 shares under the same scheme at a price of £3.72 per share. The first option is exercisable at any time on or after 1 December 2001 up to and including 1 June 2002. The second option is exercisable at any time on or after 1 January 2001 up to and including 1 July 2001. In addition, at 30 June 1999 and 8 March 1999, M A Imi had an option over 23,817 ordinary shares under the BSkyB Unapproved Executive Share Option Scheme at a price of £5.01 per share, exercisable from 1 December 2001 to 1 December 2005.

Year 2000

BSkyB is taking the risk of computer systems malfunction at the turn of the century very seriously. Key risks of Year 2000 include the immovable nature of the deadline, the requirement for skilled resource and the reliance on certain suppliers and customers to provide solutions within the required timescale.

A Year 2000 Programme has been established and executed. Detailed plans are included in the annual report of BSkyB for the year ended 30 June 1999.

The company did not experience any significant failures in its computer systems following the date change on 1 January 2000. The company remains vigilant for any residual risks or uncertainties that could still arise. The cost of the company's Year 2000 programme is not material, has been borne by other group undertakings and has been expensed.

Directors' report (continued)

Auditors

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

Grant Way
Isleworth
Middlesex
TW7 5QD

By order of the Board,

D J Gormley
Company Secretary

15 September 2000

Directors' and Auditors' responsibilities

For the year ended 30 June 1999

Directors' responsibilities

Accounts including the adoption of going concern basis

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.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Other matters

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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' responsibilities

Company law requires the auditors to form an independent opinion as to whether the accounts presented by the directors give a true and fair view and are properly prepared in accordance with the Companies Act 1985.

Additionally, the Companies Act 1985 requires the auditors to report to the shareholders if, in their opinion the directors' report is not consistent with the accounts or if the company has not:

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

Auditors' report

To the Shareholders of Kidsprog Limited:

We have audited the accounts on pages 6 to 10 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on page 8.

Respective responsibilities of Directors and Auditors

As described on page 4, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 1999 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

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

15 September 2000

Profit and loss account
For the year ended 30 June 1999

	Notes	1999	1998
		£'000	£'000
Interest receivable and similar income	2	332	435
Interest payable and similar charges	2	(332)	(435)
Provisions against investments written back	3	1,147	1,066
Profit on ordinary activities before taxation	4	1,147	1,066
Taxation	5	-	-
Retained profit	10	1,147	1,066

Details of movement in reserves are shown in note 10.

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 the year other than those included within the profit and loss account (1998 - none).

Balance Sheet
30 June 1999

	Notes	1999	1998
		£'000	£'000
Fixed assets			
Investments	6	3,915	4,268
Current assets			
Debtors	7	-	2
Creditors: amounts falling due within one year	8	(8,553)	(10,055)
Net current liabilities		(8,553)	(10,053)
Net liabilities		(4,638)	(5,785)
Capital and reserves			
Called-up equity share capital	9	-	-
Profit and loss account	10	(4,638)	(5,785)
Equity shareholders' deficit		(4,638)	(5,785)

Signed on behalf of the Board

M D Stewart

M D Stewart
Director
15 September 2000

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

1. Accounting Policies

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

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 (revised), 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) ***Fixed asset investments***

Fixed asset investments are shown at cost less any provisions made for impairments 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 will be surrendered between companies in the group for no consideration.

2. Interest income 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. Provisions against investments written back

In previous years this represented amounts written off against the cost of the loans advanced to and shares purchased in Nickelodeon UK which were in excess of the company's share of the net assets of Nickelodeon UK. During the years ended 30 June 1998 and 30 June 1999 there were part repayments of the loans advanced to Nickelodeon UK. The provision against the investment was reduced by the company's share of profits in Nickelodeon UK (see note 6).

4. Profit on ordinary activities before taxation

There were no staff costs as the company had no employees (1998 - nil). Services were provided by employees of other companies within the group with no charge being made (1998 - nil). The directors did not receive any remuneration during the year in respect of their services to the company (1998 - nil).

Fees paid to the auditors for audit services in the year were borne by another group company. No other fees have been paid to the auditors (1998 - nil).

5. Taxation

There were no profits chargeable to tax for the year to 30 June 1999 (1998: nil).

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 1999, the company held 104 "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	4,526	5,527	10,053
Repayment of loan	(1,500)	-	(1,500)
End of year	3,026	5,527	8,553
Provision			
Beginning of year	(258)	(5,527)	(5,785)
Write-back of provision against recoverability of loans advanced to and shares purchased in Nickelodeon UK. (see note 3)	258	889	1,147
End of year	-	(4,638)	(4,638)
Net book value			
Beginning of year	4,268	-	4,268
End of year	3,026	889	3,915

7. Debtors

	1999	1998
	£'000	£'000
Interest receivable from Nickelodeon UK	-	2

8. Creditors: Amounts falling due within one year

	1999	1998
	£'000	£'000
Due to parent company	8,553	10,055

The amounts due to parent company are repayable on demand and carry interest at 1.5% above LIBOR.

9. Called-up equity share capital

	1999 £	1998 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called-up and fully-paid		
2 ordinary shares of £1 each	2	2

10. Reconciliation of movements in shareholders' deficit

	Share capital £'000	Profit and loss account £'000	Total £'000
30 June 1997	-	(6,851)	(6,851)
Profit for the year	-	1,066	1,066
30 June 1998	-	(5,785)	(5,785)
Profit for the year	-	1,147	1,147
30 June 1999	-	(4,638)	(4,638)

11. Financing

The company's balance sheet shows net current liabilities of £8,553,000 and net liabilities of £4,638,000 at 30 June 1999.

The directors of Sky Ventures Limited have confirmed that they will continue to provide support to the company to enable it to meet its liabilities as they fall due for at least twelve months from the date of the financial statements.

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

12. Contingent liabilities

The company has contingent liabilities by virtue of its indirect investment in Nickelodeon UK. The directors do not expect any material loss to arise from this.

13. Transactions with related parties

The company has taken advantage of the exemption given by Financial Reporting Standard 8 "Related Party Disclosures" not to provide details of the transactions with fellow Group undertakings as it is a wholly owned subsidiary of BSkyB.

14. Ultimate parent company

The company is a 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 company. The consolidated accounts of this group are available to the public and may be obtained from The Secretary, British Sky Broadcasting Group plc, Grant Way, Isleworth, Middlesex, TW7 5QD.