

Kidsprog Limited

Accounts for the year ended to 30 June 1997
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 as follows:

R J Brooke
N J Carrington
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 1997

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the year to 30 June 1997.

Principal activity

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

Results for the year

The profit for the year was £655,000 (1996: loss of £199,000).

No dividends have been paid or proposed for the year (1996: £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, BSkyB. N J Carrington was appointed as an alternate director of BSkyB to D C Chance on 14 August 1996. The interests of R J Brooke, D C Chance, S H Chisholm and N J Carrington in the share capital of BSkyB are shown in the accounts of that company for the year ended 30 June 1997.

C K Mackenzie had no interest in the shares of the company, BSkyB or its group of companies (the "group") at 30 June 1997.

Liability insurance for company officers

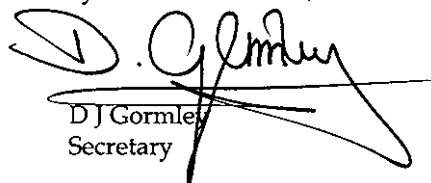
As permitted by the Companies Act 1985, the group has maintained insurance cover for the directors and officers against liabilities in relation to the group's activities.

Auditors

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

Grant Way
Isleworth
Middlesex
TW7 5QD

By order of the Board,


D J Gormley
Secretary

17 October 1997

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 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 auditors' opinion does not encompass the directors' report on page 2. However 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 9 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.

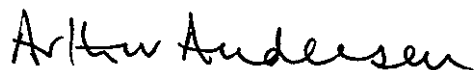
Basis of opinion

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 1997 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
Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS

17 October 1997

Profit and loss account

For the year ended 30 June 1997

	Notes	30 June 1997	30 June 1996
		£'000	£'000
Investment income	2	425	452
Interest payable and similar charges	2	(425)	(452)
Amounts written back to (written off) investments	3	655	(199)
Profit (loss) on ordinary activities before taxation	4	<u>655</u>	<u>(199)</u>
Taxation	5	-	-
Retained profit (loss) for the year	10	<u>655</u>	<u>(199)</u>

Details of movements in reserves are shown in note 10.

All results relate to continuing activities.

Statement of total recognised gains and losses

For the year ended 30 June 1997

There were no recognised gains or losses in the year other than those included within the profit and loss account (1996 - none).

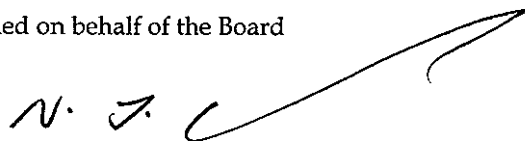
The accompanying notes are an integral part of these financial statements.

Balance sheet

30 June 1997

	Notes	30 June 1997 £'000	30 June 1996 £'000
Fixed assets			
Investments	6	3,702	3,080
Current assets			
Debtors	7	425	452
Creditors: amounts falling due within one year	8	(10,978)	(11,038)
Net current liabilities		(10,553)	(10,586)
Net liabilities		(6,851)	(7,506)
Capital and reserves			
Called-up equity share capital	9	-	-
Profit and loss account	10	(6,851)	(7,506)
		(6,851)	(7,506)

Signed on behalf of the Board



N J Carrington - Director
17 October 1997

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

Notes to accounts

30 June 1997

1. Accounting Policies

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

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.

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 diminutions 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. Investment 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. Amounts written back to (written off) investments

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 year ended 30 June 1997 there was a decrease in the loans advanced to and an increase in shares purchased in Nickelodeon UK. The provision against the investment was reduced by the company's share of profits in Nickelodeon UK.

4. Profit (loss) on ordinary activities before taxation

There were no staff costs as the company had no employees (1996: nil). Services were provided by employees of other companies within the group with no charge being made (1996: nil). The directors did not receive any remuneration during the year in respect of their duties as directors of the company (1996: 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 (1996: nil).

5. Taxation

There were no profits chargeable to corporation tax for the year to 30 June 1997 (1996: 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 1997, the company held 103 "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 £'000	Shares £'000	Total £'000
Beginning of year	6,198	4,388	10,586
Loans advanced to associated undertakings	467	-	467
Repayment of loan	(1,221)	-	(1,221)
Purchase of 1 B ordinary share	-	721	721
End of year	<u>5,444</u>	<u>5,109</u>	<u>10,553</u>
Provision			
Beginning of year	(3,118)	(4,388)	(7,506)
Transfer	721	(721)	-
Write-back of provision against recoverability of loans advanced to, and shares purchased in associated undertakings (see note 3)	655	-	655
End of year	<u>(1,742)</u>	<u>(5,109)</u>	<u>(6,851)</u>
Net book value			
Beginning of year	<u>3,080</u>	<u>-</u>	<u>3,080</u>
End of year	<u>3,702</u>	<u>-</u>	<u>3,702</u>

On 10 October 1996, £721,000 of the loan balance advanced to Nickelodeon UK in the year ended 30 June 1996 was repaid, and the proceeds were used to subscribe for a further one B ordinary share in Nickelodeon UK. A further £500,000 of the loan balance was repaid on 26 June 1997. Following this the company's interest in the ordinary share capital of Nickelodeon UK remains at 50%.

7. Debtors

	30 June 1997 £'000	30 June 1996 £'000
Interest receivable from associated undertaking	<u>425</u>	<u>452</u>

8. Creditors: Amounts falling due within one year

	30 June 1997 £'000	30 June 1996 £'000
Due to parent company	<u>10,978</u>	<u>11,038</u>

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

Notes to accounts (continued)

9. Called-up equity share capital

	30 June 1997 £	30 June 1996 £
<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 1995	-	(7,307)	(7,307)
Loss for the year	<u>-</u>	<u>(199)</u>	<u>(199)</u>
30 June 1996	-	(7,506)	(7,506)
Profit for the year	<u>-</u>	<u>655</u>	<u>655</u>
30 June 1997	<u>-</u>	<u>(6,851)</u>	<u>(6,851)</u>

11. Financing

The company's balance sheet as at 30 June 1997 shows net liabilities of £6,851,000. 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 for at least 12 months from the date of the financial statements.

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

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.

13. Related Party Transactions

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