

Kidsprog Limited

Annual Report and Accounts
for the year to 30 June 2002

Registered number: 2767224



Directors and Officers

For the year ended 30 June 2002

Directors

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

N Chugani
D J Gormley
M A Imi
M D Stewart

Company Secretary

L J Dobson (resigned 7 June 2002)
D J Gormley (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 2002.

Principal activity and business review

The Company's principal activity is to act as a holding company. During the year the Company continued to hold a 50% investment in Nickelodeon UK, an unlimited company set up to operate a children's satellite television channel. The Directors expect these activities to continue for the foreseeable future.

Results for the year

The audited accounts for the year ended 30 June 2002 are set out on pages 7 to 13. The profit before taxation for the financial year was £1,957,000 (2001: £1,159,000). The Directors do not recommend the payment of a dividend for the year ended 30 June 2002 (2001: 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 2002 had the following interests in the shares of British Sky Broadcasting Group plc ("BSkyB") and its subsidiaries ("Group"):

Options and awards over shares in BSkyB									
	At 30 June 2001	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2002	Exercise Price	Market price at date of exercise	Date from which exercisable	Expiry date
N Chugani	2,579 (a)	-	2,579	-	-	£3.78	£8.45	01.12.2001	01.06.2002
	-	1,584 (a)	-	-	1,584	£6.11	N/A	01.01.2007	01.06.2007
	42,286 (b)	-	-	-	42,286	£6.385	N/A	29.10.2002	29.10.2009
	22,095 (b)	-	22,095	-	-	£5.01	£8.67	01.12.2001	01.12.2008
	-	154,382 (b)	-	-	154,382	£7.94	N/A	06.11.2002	06.11.2011
	65,348 (b)	-	-	-	65,348	£9.90	N/A	23.11.2001	23.11.2010
	3,030 (c)	-	-	-	3,030	£9.90	N/A	23.11.2001	23.11.2010
	16,000 (d)	-	13,000	-	3,000	N/A	£8.23	01.12.2001	19.11.2011
	-	50,000 (d)	-	-	50,000	N/A	N/A	09.08.2002	09.08.2012
D J Gormley	997 (a)	-	-	997	-	£9.71	N/A	01.01.2004	30.06.2004
	-	1,584 (a)	-	-	1,584	£6.11	N/A	01.01.2007	01.06.2007
	24,341 (b)	-	24,341	-	-	£5.01	£9.34	01.12.2001	01.12.2005
	22,905 (b)	-	-	-	22,905	£6.385	N/A	29.10.2002	29.10.2009
	-	20,437 (b)	-	-	20,437	£7.94	N/A	06.11.2002	06.11.2011
	8,311 (b)	-	-	-	8,311	£9.90	N/A	23.11.2001	23.11.2010
	3,030 (c)	-	-	-	3,030	£9.90	N/A	23.11.2001	23.11.2010

Directors' report (continued)

Directors and their interests (continued)

	Options and awards over shares in BskyB				At 30 June 2002	Exercise Price	Market price at date of exercise	Date from which exercisable	Expiry date
	At 30 June 2001	Granted during the year	Exercised during the year	Lapsed during the year					
M A Imi	515 (a)	-	-	-	515	£3.78	N/A	01.12.2001	01.06.2002
	-	1,267 (a)	-	-	1,267	£6.11	N/A	01.01.2007	01.06.2007
	23,817 (b)	-	23,817	-	-	£5.01	£8.67	01.12.2001	01.12.2005
	36,021 (b)	-	-	-	36,021	£6.385	N/A	29.10.2002	29.10.2009
	-	42,312 (b)	-	-	42,312	£7.94	N/A	06.11.2002	06.11.2011
	26,827 (b)	-	-	-	26,827	£9.90	N/A	23.11.2001	23.11.2010
	3,030 (c)	-	-	-	3,030	£9.90	N/A	23.11.2001	23.11.2010

(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")

Details of the Approved and Unapproved Executive Share Option Schemes, the Sharesave Scheme and the LTIP are also given in BskyB's 2002 Annual Report and Accounts.

Awards under the KCP made in August 2000 take the form of a contingent right to acquire existing BskyB shares at the vesting date. Awards under the KCP made in November 2001 take the form of a market value option to acquire BskyB ordinary shares with a cash bonus equal to the exercise price of the option. In the case of the latter, to the extent that the market price of the shares at the date of vesting of such awards is below the exercise price at the date of exercise, awards are satisfied by a transfer of shares. The number of shares received varies to the extent that performance conditions have been achieved.

As at 30 June 2002, the BskyB ESOP was interested in 6.6 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.

Except as disclosed in this report and in BskyB's 2002 Annual Report and Accounts, no other Director held any interest in the share capital, including options, of the Company or any other member of the Group.

During the year ended 30 June 2002 the BskyB share price traded within the range of £5.44 to £9.36 per share. The middle-market closing price on the last working day of the financial year was £6.29.

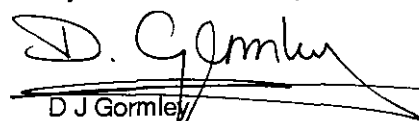
Directors' report (continued)

Auditors

On 26 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 as auditors on an ongoing basis. The Directors passed an Elective Resolution on 25 March 1994 to dispense with the annual re-appointment of auditors.

Grant Way
Isleworth
Middlesex
TW7 5QD

By order of the Board,


D J Gormley
Company Secretary

30 April 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 as at the end of the financial year 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; and
- 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 the system of internal controls, 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

To the Shareholder of Kidsprog Limited:

We have audited the accounts of Kidsprog Limited for the year ended 30 June 2002 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. These accounts 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 accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the accounts in accordance with relevant United Kingdom legal and regulatory requirements and Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' Report is not consistent with the accounts, 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 audit 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 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 state of the affairs of the Company as at 30 June 2002 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

30 April 2003

Profit and loss account
For the year ended 30 June 2002

	Notes	2002 £'000	2001 £'000
Write back of provision against investment	2	1,957	1,159
Profit on ordinary activities before interest and taxation		1,957	1,159
Interest receivable and similar income	3	22	94
Interest payable and similar charges	3	(22)	(94)
Profit on ordinary activities before taxation	4	1,957	1,159
Tax on profit on ordinary activities	5	-	-
Retained profit for the financial year	9	1,957	1,159

Details of movements on reserves are shown in note 9.

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

All results relate to continuing activities.

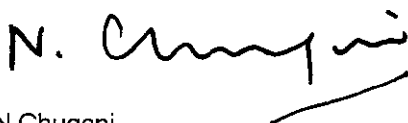
There were no recognised gains or losses in either year other than those included within the profit and loss account.

Balance Sheet

As at 30 June 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Investments in joint ventures	6	5,527	4,596
Creditors: amounts falling due within one year	7	(5,527)	(6,553)
Net current liabilities		(5,527)	(6,553)
Total assets less current liabilities		-	(1,957)
Net assets (liabilities)		-	(1,957)
Capital and reserves - equity			
Called-up share capital	8	-	-
Profit and loss account	9	-	(1,957)
Total shareholder' funds (deficit)	9	-	(1,957)

Signed on behalf of the Board



N Chugani
Director

30 April 2003

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

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.

a) *Basis of accounting*

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

The Company maintains a 52-53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal 2002, this date was 30 June 2002, this being a 52 week year (2001: 1 July 2001, 52 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) *Fixed asset investments*

Fixed asset investments are shown at cost less any provisions. The Directors have taken the prudent approach of providing against the company's investment such that the carrying value of the investment is not greater than the company's share of the underlying net assets.

c) *Taxation*

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

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.

Notes to accounts (continued)

2. Write-back of provision against investment

The amount provided by the Company against its investment in Nickelodeon UK represents the excess of the loans advanced to and shares purchased in Nickelodeon UK, over the Company's share of the net assets of Nickelodeon UK. During the period, the provision against the investment was reduced by an amount equivalent to the Company's share of profits of Nickelodeon UK for 2002, to the extent of the original investment (see note 6).

3. Interest receivable and similar income / interest payable and similar charges

This relates to the interest received on the loan made to Nickelodeon UK and the interest costs incurred on funding from Sky Ventures Limited, the parent undertaking. Interest was charged at 1.5% above LIBOR on certain loans made to Nickelodeon UK and on certain funding from Sky Ventures Limited.

4. Profit on ordinary activities before taxation

There were no staff costs during the year or the preceding year as the Company had no employees. Services are 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 and 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 2002 and 2001. No amounts for other services have been paid to the auditors in 2002 (2001: nil).

5. Tax on profit on ordinary activities

a) Analysis of tax charge in year

The tax charge for the year is nil (2001: nil).

b) Factors affecting the tax charge for the year

	2002	2001
	£000	£000
Profit on ordinary activities before taxation	1,957	1,159
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 – 30%)	587	348
Effects of:		
Non taxable amounts written back against fixed asset investments	(587)	(348)
Current tax charge for the year	-	-

Notes to accounts (continued)

6. Investments in joint ventures

Investments in joint ventures represents the cost of the Company's investment in Nickelodeon UK, an unlimited company registered in England and Wales. At 30 June 2002, the company held 104 "B" shares of 1 pence each, representing 50% of the issued share capital.

	2002	2001
	£000	£000
Loans (see note a)	-	1,026
Shares (see note b)	5,527	3,570
Total	5,527	4,596

a) Loans	2002	2001
	£000	£000
Cost		
Beginning of year	1,026	1,526
Repayment of loan	(1,026)	(500)
End of year	-	1,026

Loans to Nickelodeon UK bore interest at 1.5% above LIBOR and had no fixed repayment date.

b) Shares	2002	2001
	£000	£000
Cost		
Beginning and end of year	5,527	5,527
Provisions		
Beginning of year	(1,957)	(3,116)
Write-back of provision against investment (see note 2)	1,957	1,159
End of year	-	(1,957)
Net book value		
Beginning of year	3,570	2,411
End of year	5,527	3,570

Notes to accounts (continued)

7. Creditors: Amounts falling due within one year

	2002	2001
	£'000	£'000
Amounts due to parent undertaking	5,527	6,553

£5,527,000 (2001: £5,527,000) due to the parent undertaking bears no interest. Nil (2001: £1,026,000) due to parent undertaking carries interest at 1.5% above LIBOR. All amounts have no fixed repayment date.

8. Called-up share capital

	2002	2001
	£	£
<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

9. Reconciliation of movements in shareholder's funds (deficit)

	Share capital	Profit and loss account	Total shareholder's deficit
	£'000	£'000	£'000
As at 1 July 2001	-	(1,957)	(1,957)
Profit for the year	-	1,957	1,957
As at 30 June 2002	-	-	-

10. Contingent liabilities

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

Notes to accounts (continued)

11. Transactions with related parties

The Group, including the Company, conducts business transactions on a normal commercial basis with, and receives a number of services from, shareholder companies or members of their groups and associated undertakings. These transactions are described in the consolidated accounts of BSKyB.

The Company has taken advantage of the exemption given by Financial Reporting Standard 8 "Related Party Disclosures" not to provide further details of transactions with fellow group undertakings and other related parties 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.

12. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of Sky Ventures Limited, a company incorporated in Great Britain 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.

13. Financing

The Company's balance sheet as at 30 June 2002 shows net assets of nil and net current liabilities of £5,527,000.

The directors of British Sky Broadcasting Limited have confirmed that they will not demand repayment of any intercompany balances due from Kidsprog Limited ("the Company") and will procure that its subsidiaries will not demand repayment of any intercompany balances for twelve months from the date of signing the financial statements except to the extent that such payments can be made while the Company continues to settle its third party liabilities as they fall due.

Nickelodeon's latest audited statutory accounts show a cash balance of £10,897,000, and a positive cash flow of £7,614,000. On this basis the directors believe that Nickelodeon will not require further funding in the next twelve months. Accordingly, the accounts have been prepared assuming that the company will continue as a going concern.