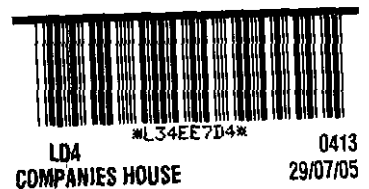


Company Registration No. 3324932

NGC Network (UK) Limited

Report and Financial Statements

31 December 2003



NGC Network (UK) Limited

Report and financial statements 2003

Contents	Page
Shareholders and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements	8

NGC Network (UK) Limited

Report and financial statements 2003

Shareholders and professional advisers

Directors

T Kelly
S Borke
K Ferguson
W S Moody
D Zaslav
R Burgess

NGC Network UK Limited is a UK based company owned equally by the following:

NGTV International Limited ("NGTV")	50% equity
NBC UK Holdings Limited ("NBC UK Holdings")	50% equity

Registered Office

Aquis Court
31 Fishpool Street
St. Albans
Hertfordshire
AL3 4RF

Bankers

Barclays Bank PLC
54 Lombard Street
London EC3V 9DA

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

NGC Network (UK) Limited

Directors' report

The directors present their annual report on the affairs of the company together with the financial statements and auditors' report for the year ended 31 December 2003.

Principal activity and business review

The company is a joint venture between NGTV International Limited ("NGTV") and NBC UK Holdings Limited ("NBC UK Holdings") formed for the purpose of holding an investment in NGC-UK Partnership ('National Geographic UK', 'the Partnership'). The company is a non-operating entity through which the shareholders invest funds in, and receive returns from, the Partnership. The Partnership operates and transmits the documentary programme channel, the National Geographic Channel.

Future Developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years.

Results and proposed dividend

The directors do not recommend the payment of a dividend (2002: nil). The profit for the year is shown on page 5.

Directors and directors' interests

The directors who held office during the year and subsequently, were as follows:

T Kelly	
S Borke	
R Allen	(resigned 24 August 2004)
A Lack	(resigned 1 January 2003)
W S Moody	(appointed 2 June 2003)
D Zaslav	
K Ferguson	(appointed 24 August 2004)
R Burgess	

None of the directors who held office at the end of the financial year had any interest in the shares of the company. No director was interested in the ordinary shares of the company at either date nor in the shares of any other group company.

Political and Charitable Contributions

During the year, the company made no political or charitable contributions (2002: nil).

Auditors

A resolution to re-appoint Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



W S Moody
Director
26 July 2005

NGC Network (UK) Limited

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements 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 financial statements, 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 financial statements 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 financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 members of NGC Network (UK) Limited

We have audited the financial statements of NGC Network (UK) Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 23. These financial statements 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 financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements 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 financial statements, 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

26 July 2005

NGC Network (UK) Limited

Profit and loss account Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	2	14,863	13,053
Operating expenses, net	3	(9,925)	(8,841)
Operating profit		4,938	4,212
Interest receivable	4	98	26
Interest payable	5	(684)	(567)
Profit on ordinary activities before taxation	6	4,352	3,671
Taxation on profit on ordinary activities	7	(735)	(1,508)
Profit on ordinary activities after taxation and retained profit for the year	16	3,617	2,163

All activities relate to continuing operations.

There are no recognised gains or losses in either year other than those shown above and as a result no statement of total recognised gains and losses is presented.

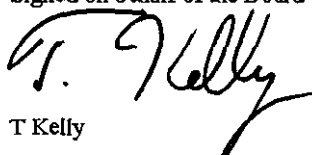
NGC Network (UK) Limited

Balance sheet 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	8	58	80
Investments	9	228	228
		<u>286</u>	<u>308</u>
Current assets			
Stocks	10	5,558	5,417
Debtors	11	12,289	17,613
Cash at bank and in hand		4,766	3,990
		<u>22,613</u>	<u>27,020</u>
Creditors: amounts falling due within one year	13	(22,278)	(30,324)
Net current assets / (liabilities)		<u>335</u>	<u>(3,304)</u>
Total assets less current liabilities		<u>621</u>	<u>(2,996)</u>
Net assets / (liabilities)		<u>621</u>	<u>(2,996)</u>
Capital and reserves			
Called up share capital	15	3,647	3,647
Profit and loss account	16	(3,026)	(6,643)
Equity shareholders' funds / (deficit)	17	<u>621</u>	<u>(2,996)</u>

These financial statements were approved by the Board of Directors on 26 July 2005.

Signed on behalf of the Board of Directors


T Kelly
Director


W S Moody
Director

NGC Network (UK) Limited

Cash flow statement **Year ended 31 December 2003**

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	21	6,728	499
Returns on investments and servicing of finance			
Interest received		98	26
Interest paid		(2,175)	-
Taxation		(214)	(177)
Capital expenditure and financial investment			
Payments to acquire fixed assets		(33)	(44)
Cash inflow before financing		4,404	304
Financing			
Payments for shares to be issued		-	83
Loans repaid to shareholders		(3,628)	-
Loans received from shareholders		-	332
Increase in cash in the year	22	776	719

NGC Network (UK) Limited

Notes to the financial statements Year ended 31 December 2003

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom laws and accounting standards. The particular accounting policies adopted are summarised below. They have all been applied consistently throughout the current and the preceding year.

Basis of preparation

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

In accordance with Financial Reporting Standard 9 "Associates and Joint Ventures" ("FRS 9"), the company's share of the income, expenditure, assets and liabilities and cash flows of NGC UK Partnership has been included in the financial statements of the company on a line by line basis.

The financial statements proportionally consolidate 50% of the results of NGC UK Partnership as at 31 December 2003.

Stocks

Stocks consist of television programme rights and programme versioning costs.

Television programme rights are stated at cost less accumulated amortisation. Programme rights, and the related liability, are recorded at cost when the programmes are available for transmission. Provisions are made for any programme rights which are excess to the Channel's requirements or which will not be shown for any reason.

Programme rights are amortised on a straight line basis over three years or the availability period if shorter or over five years if the rights are held in perpetuity. Contractual obligations for programme rights not yet available for transmission are not included in the cost of television programme rights, but are disclosed under financial commitments, authorised and contracted for, in note 18. Programme payments made in advance of the company having the ability to transmit the related programmes are treated as prepayments.

Programme versioning costs are the cost of revoicing or subtitling the programme into a relevant foreign language. These costs are amortised on a straight line basis in line with the associated programme.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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 from which the future reversal of the underlying timing differences can be deducted.

NGC Network (UK) Limited

Notes to the financial statements Year ended 31 December 2003

1. Accounting policies (continued)

Foreign currency

Trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign exchange contract or other hedging instrument. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, if hedged, at the appropriate hedged rate. All differences are taken to the profit and loss account.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of advertising and pay channel subscriptions, advertising revenue is shown net of agency fees.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation, and provision for impairment. Depreciation is provided on all fixed assets at 33% per annum.

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment, if any.

2. Segmental information

Whilst deriving from one class of business, the company's turnover can be analysed as follows:

	2003 £'000	2002 £'000
Subscriber income	11,088	9,947
Advertising revenue	3,529	3,102
Other	246	4
	<u>14,863</u>	<u>13,053</u>

All turnover originates in the United Kingdom.

£1,324,000 (2002: £1,633,000) of advertising revenue was collected by British Sky Broadcasting Limited ("BSkyB"). BSkyB have charged sales commission on advertising revenue of £258,000 (2002: £328,000). Sales commission is included within operating expenses (net).

£957,000 (2002: £622,000) of advertising revenue was collected by NGC Netherlands BV, who have charged sales commission of £316,000 (2002: £193,000) on advertising revenue. Sales commission is included in operating expenses (net).

£375,000 (2002: £375,000) was recharged to NGC Israel Partnership in respect of programming transmission, marketing and administration costs. £300,000 (2002: £521,000) was similarly recharged to NGCI UK (NGC International (UK) Limited). In 2003, these amounts have been classified as recharges within operating expenses, net; the 2002 comparatives have been classified on a consistent basis.

NGC Network (UK) Limited

Notes to the financial statements Year ended 31 December 2003

3. Operating expenses, net

	2003			2002		
	Gross expense £'000	Recharged £'000	Net expense £'000	Gross expense £'000	Recharged £'000	Net expense £'000
Programming and transmission costs	6,787	(751)	6,036	6,286	(801)	5,485
Marketing costs	1,759	(12)	1,747	1,436	(24)	1,412
Administrative expenses	3,539	(1,397)	2,142	2,984	(1,040)	1,944
	<u>12,085</u>	<u>(2,160)</u>	<u>9,925</u>	<u>10,706</u>	<u>(1,865)</u>	<u>8,841</u>

4. Interest receivable and similar income

	2003 £'000	2002 £'000
Bank interest receivable	<u>98</u>	<u>26</u>

5. Interest payable

	2003 £'000	2002 £'000
Interest payable on Senior Loan (see note 14)	<u>684</u>	<u>567</u>

6. Profit on ordinary activities before taxation

No director received remuneration during the year (2002: £nil) in respect of their services to the company or the Partnership. The company employs no staff (2002: none). A charge is made by British Sky Broadcasting Limited ("BSkyB") for the cost of staff provided in the operation of the Channel. This cost of £1,764,000 (2002: £1,603,000) is included within administrative expenses. Of this cost £350,000 (2002: £370,500) was recharged to other territories.

A charge is made by NGC Netherlands BV for the cost of staff provided in the operation of channels. This cost of £13,500 (2002: £107,500) is included within administrative expenses.

Audit fees for the company for the year ended 31 December 2003 were £50,000 (2002: £50,000). No other fees were paid to the auditors (2002: £nil).

Depreciation charges for the year were £55,000 (2002: £62,000).

NGC Network (UK) Limited

Notes to the financial statements **Year ended 31 December 2003**

7. Taxation

(a) Analysis of tax charge in the year:

	2003 £'000	2002 £'000
<i>Current tax</i>		
Current year corporation tax	27	-
Adjustment in respect of prior years	8	-
Overseas withholding tax	206	158
	<hr/>	<hr/>
Current tax charge for the year	241	158
<i>Deferred tax</i>		
Deferred tax charge	728	1,350
Adjustment in respect of prior years	(234)	-
	<hr/>	<hr/>
Total profit and loss account charge	<u>735</u>	<u>1,508</u>

(b) Factors affecting the tax charge for the year:

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation	4,352	3,671
	<hr/>	<hr/>
UK Corporation tax at 30% thereon	1,306	1,101
Utilisation of tax losses	(728)	(1,350)
Capital allowances in excess of depreciation	(6)	-
Additional taxable partnership profits	-	249
Interest deductible when paid	(545)	-
Overseas withholding tax	206	158
Prior year adjustment	8	-
	<hr/>	<hr/>
Current tax charge for year	<u>241</u>	<u>158</u>

NGC Network (UK) Limited

Notes to the financial statements Year ended 31 December 2003

8. Tangible fixed assets

All fixed assets are IT equipment.

	£'000
Cost	
At 1 January 2003	472
Additions	33
At 31 December 2003	505
Depreciation	
At 1 January 2003	392
Charge for the year	55
At 31 December 2003	447
Net book value	
At 31 December 2003	58
At 31 December 2002	80

9. Fixed asset investments

The company has one share, being 50% of the issued share capital, in NGC Overseas Limited, a company incorporated in Great Britain. Its principal activity is the operation and transmission of the National Geographic Channel in Australia.

Through its 50% interest in National Geographic UK Partnership, the company also has an interest in NGC Network Australia Pty Ltd, incorporated in Australia, all of the issued share capital of which is owned by National Geographic UK Partnership.

	2003 £'000	2002 £'000
Cost and Net book value at 31 December	228	228

At 31 December 2003, National Geographic UK Partnership held all of the 1,000,012 ordinary shares at par value. On 14 April 2004, NGC Network (Australia) Pty Limited bought back 1,000,000 of the 1,000,012 fully paid ordinary shares from NGC UK Partnership for a consideration of AUD 1,000,000.

10. Stocks

	2003 £'000	2002 £'000
Television programme rights	5,558	5,417

At least 39.5% (2002: 42.6%) of the existing television programme rights at 31 December 2003 will be amortised within one year.

NGC Network (UK) Limited

Notes to the financial statements

Year ended 31 December 2003

11. Debtors

	2003 £'000	2002 £'000
Accrued income – owed by BSkyB	958	451
Accrued income – owed by NGCI (NGC Network International LLC)	217	354
Accrued income – owed by NGC Israel Partnership	194	194
Accrued income – owed by NGC Netherlands BV	512	876
Accrued income – owed by NGC Network (Australia) Pty	462	292
Accrued income – owed by NGCI (UK)	149	711
Accrued Income – owed by NGC Asia	25	42
Accrued Income – owed by NGC Latin America	19	23
Accrued income – other	1,101	699
Trade debtors – owed by BSkyB	1,263	4,353
Trade debtors – other	1,677	2,093
Prepayments	196	30
Amounts owed by NGC Networks (Australia) Pty	30	-
Amounts owed by NGCI	2,466	2,850
Amounts owed by NGCI (UK)	1,250	1,785
Amounts owed by NGC Israel Partnership	497	359
Amounts owed by NGC Network Asia	118	47
Amounts owed by NGC Network Latin America	41	13
Amounts owed by NGC Network Netherlands	101	-
Programming prepayments	157	1,091
Deferred tax asset (see note 12)	856	1,350
	<u>12,289</u>	<u>17,613</u>

12. Deferred tax asset

	2003 £'000	2002 £'000
At 1 January 2003	1,350	2,700
Charged to profit and loss account	(494)	(1,350)
At 31 December 2003	<u>856</u>	<u>1,350</u>

The deferred tax asset relates to losses.

NGC Network (UK) Limited

Notes to the financial statements **Year ended 31 December 2003**

13. Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Programme creditors	2,619	2,880
Shareholder loans (see note 14)	10,959	14,587
Other creditors and accruals	8,673	12,857
Corporation tax	27	-
	<u>22,278</u>	<u>30,324</u>

Within the creditors listed above the related party transactions include:

	2003 £'000	2002 £'000
Programme creditors		
Owed to NGCI	2,619	2,880
Other creditors and accruals		
Accrued interest due to IGE (International General Electric (USA) (IGE)) (see note 14)	333	1,824
Amounts owed to NGCI	4,732	4,255
Amounts owed to BSkyB	2,536	4,915
	<u>10,220</u>	<u>13,874</u>

All balances with related parties are repayable on demand and are non- interest bearing.

14. Shareholder loans

	2003 £'000	2002 £'000
Shareholder loans comprise the following:		
Senior loan IGE	3,903	6,079
Subordinated loan IGE	3,528	4,254
Subordinated loan NGTV	3,528	4,254
	<u>10,959</u>	<u>14,587</u>

The loans are unsecured and have no fixed repayment date. After a further £39,000 interest in 2004, the loan becomes non interest bearing.

On 29th July 2004, IGE transferred all of their beneficial interest in the share capital of, loans to and amounts due from the Company to NBC UK Holdings, another NBC group company.

NGC Network (UK) Limited

Notes to the financial statements **Year ended 31 December 2003**

15. Called up share capital

	2003 £'000	2002 £'000
Authorised:		
Equity: 4,000,000 ordinary shares of £1 each (2002: 4,000,000 ordinary shares of £1 each)	4,000	4,000
Allotted, called up and fully paid:		
Equity: 3,646,680 (2002: 3,646,680) ordinary shares of £1 each	3,647	3,647

16. Reserves

	Profit and loss account £'000
At 1 January 2003	(6,643)
Retained profit for the year	3,617
At 31 December 2003	(3,026)

17. Reconciliation of movements in equity shareholders' funds / (deficit)

	2003 £'000	2002 £'000
Profit for the financial year	3,617	2,163
New shares issued	-	83
Net addition to equity shareholders' funds / (deficit)	3,617	2,246
Opening equity shareholders' deficit	(2,996)	(5,242)
Closing equity shareholders' funds / (deficit)	621	(2,996)

NGC Network (UK) Limited

Notes to the financial statements Year ended 31 December 2003

18. Guarantees and other financial commitments

	2003 £'000	2002 £'000
Programming commitments, contracted for and authorised	1,143	1,765

All of the above commitments are payable in US dollars. At 31 December 2003, these commitments have been translated at the year end rate of \$1.7634 (2002: \$1.5571).

19. Transactions with related parties and major shareholders

National Geographic UK, the partnership in which the company has a 50% interest, conducts business transactions on a normal commercial basis with and receives a number of services from related parties.

BSkyB and National Geographic Channels International ('NGCI') a business partnership between Fox NBC Inc and National Geographic Television, in respect of services provided to National Geographic UK ('the Partnership').

The following table shows 50% of the charges levied during the year:

	BSkyB 2003 £'000	BSkyB 2002 £'000	NGCI 2003 £'000	NGCI 2002 £'000
Transmission costs	926	956	-	-
Administrative expenses	2,301	2,123	668	-
Programming and related costs	250	419	-	632
Marketing costs	734	652	-	-
Total	4,211	4,150	668	632

In addition to the above NGCI provided all programming rights to the company. During the year £3,026,000 (2002: £3,329,000) programming rights were supplied and became available for broadcasting.

BSkyB collected advertising revenue on behalf of the Partnership (see note 2). In addition, the Partnership received revenue of £4,920,000 (2002: £4,268,000) from BSkyB in respect of direct to home subscriptions.

The company has taken advantage of the exemption afforded by FRS8, 'Related Party Disclosures', not to disclose transactions between the Partnership and its wholly owned subsidiary, NGC Network (Australia) Pty Limited.

20. Shareholders

The company is equally owned by NGTV International Limited ("NGTV") and NBC UK Holdings Limited ("NBC UK Holdings").

NGC Network (UK) Limited

Notes to the financial statements Year ended 31 December 2003

21. Reconciliation of operating profit to net cash inflow from operating activities

	2003 £'000	2002 £'000
Operating profit	4,938	4,212
Depreciation	55	62
Increase in stock	(141)	(822)
Decrease / (increase) in debtors	4,830	(4,556)
(Decrease) / increase in creditors	(2,954)	1,603
Net cash inflow from operating activities	<u>6,728</u>	<u>499</u>

22. Analysis of changes in net debt

	As at 1 January 2003 £'000	Cash flow £'000	As at 31 December 2003 £'000
Cash at bank and in hand	3,990	776	4,766
Debt due within one year	(14,587)	3,628	(10,959)
Net debt	<u>(10,597)</u>	<u>4,404</u>	<u>(6,193)</u>
		2003 £'000	2002 £'000
Increase in cash in year		776	720
Cash outflow / (inflow) in respect of partner loans		3,628	(332)
Change in net debt resulting from cash flows		4,404	388
Net debt at 1 January		(10,597)	(10,985)
Net debt at 31 December		<u>(6,193)</u>	<u>(10,597)</u>

The directors and shareholders consider it more appropriate to define net debt on a basis consistent with note 14 and as shown above. The 2002 figures have therefore been reclassified on a consistent basis.

23. Financing

As at 31 December 2003, the Company had an outstanding investment, principally a partnership loan, of £12,231,000 in the NGC UK Partnership. While the Company had net assets and net current assets at that date, it is dependent on receiving repayment of its partnership loan to the NGC UK Partnership. Therefore the directors of NBC UK Holdings, NGCI and NGTV have all agreed not to demand repayment of amounts due from the Company except to the extent that such repayments can be made while the Company and the NGC UK Partnership both continue to settle all their liabilities as they fall due.