Kidsprog Limited

Annual Report and Financial Statements for the year to 30 June 2008

Registered number: 2767224

Directors and Officers for the year to 30 June 2008

Directors

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

J R Murdoch (resigned 27 May 2008)
D J Darroch
A J Griffith (appointed 27 May 2008)

Secretary

D J Gormley

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Directors' Report

The Directors present their Report on the affairs of the Company, together with the Financial Statements and Independent Auditors' Report, for the year to 30 June 2008.

Principal activity, business review and future developments

The Company is a wholly owned subsidiary of British Sky Broadcasting Group plc ("BSkyB", together with its subsidiaries, the "Group") and operates together with BSkyB's other subsidiaries, as a part of the Group.

The Company's principal activity is to act as a holding company. During the year, the Company continued to hold an investment in Nickelodeon UK Limited, a company which broadcasts a number of children's satellite television channels. The Directors expect this company to continue be a holding company for the foreseeable future.

The Company's directors believe that further key performance indicators of the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Results for the year

The audited accounts for the year ended 30 June 2008 are set out on pages 5 to 10. The profit for the year was £3,200,000 (2007: £3,600,000). The decrease in profit during the year was due to the Company receiving dividends from Nickelodeon (UK) Ltd of £3,200,000 (2007: 3,600,000). Shareholder's equity increased by £3,200,000 to £19,800,000 from £16,600,000 at the previous year ended 30 June 2007, which is in line with profit for the year. The Directors do not recommend the payment of a dividend for the year ended 30 June 2008 (2007: £nil).

Directors

The Directors who served during the year are shown on page 1.

Principal risks and uncertainty

The Company's activities expose it to liquidity risk.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company relies on the Group treasury function, which has access to a £1,000m rolling credit facility to ensure ongoing liquidity.

The Directors do not believe the business is exposed to cashflow risk, intercompany credit risk or price risk.

Auditors

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte have expressed their willingness to continue as auditors and a resolution to reappoint them will be proposed at the forthcoming annual General Meeting.

By order of the Board,

D. Gormley

D J Gormley
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD
24 November 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIDSPROG LIMITED

We have audited the financial statements of Kidsprog Limited for the year ended 30 June 2008 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 10. 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
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Directors' Report.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 June 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRSs
As explained in note 1 to the financial statements, the company in addition to complying with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the company's affairs as at 30 June 2008 and of its profit for the year then ended.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
24 November 2008

Kidsprog Limited

Income Statement for the year to 30 June 2008

	Notes	**2008 £'000**	2007 £'000
Investment Income	2	3,200	3,600
Profit before tax	3	**3,200**	3,600
Taxation	4	-	-
Profit for the year		**3,200**	3,600

The accompanying notes are an integral part of this income statement.

All results derived from continuing operations.

Statement of Changes in Equity for the year ended 30 June 2008

	Share capital £'000	**Retained earnings £'000**	**Total shareholders' equity £'000**
As at 1 July 2007	-	16,600	16,600
Profit for the year	-	3,200	3,200
At 30 June 2008	-	**19,800**	**19,800**

Balance Sheet as at 30 June 2008

	Notes	2008 £'000	2007 £'000
Non-current assets			
Investment in joint ventures	5	**5,527**	5,527
Current assets			
Trade and other receivables	6	**14,273**	11,073
Total assets		**19,800**	16,600
Shareholders' equity		**19,800**	16,600
Total liabilities and shareholders' equity		**19,800**	16,600

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

As at 30 June 2008 and 30 June 2007 the Company did not hold any cash or cash equivalents. Accordingly a cash flow statement has not been presented.

These financial statements have been approved by the Board of Directors on 24 November 2008 and signed on its behalf by

A J Griffith
Director
24 November 2008

1. Accounting policies

The Company is a limited liability company incorporated in Great Britain, and domiciled in the United Kingdom ("UK").

a) Statement of compliance

These consolidated financial statements are prepared in accordance with IFRS (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees) as adopted by the European Union ("EU"), the Companies Act 1985 and as issued by the IASB.

In the current year, the Company adopted IFRS 7 "Financial Instruments: Disclosures" which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 "Presentation of Financial Statements

b) Basis of preparation

The financial statements have been prepared on an historical cost basis. The accounts have been prepared on a going concern basis.

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2008 this date was 30 June 2008, this being a 52 week year (fiscal year 2007: 1 July 2007, 52 week year). For convenience purposes, the Company continues to date its financial statements as of 30 June 2008.

c) Investments in joint ventures

Investments in joint undertakings are stated at cost. Provision is made for any impairment in value.

d) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and are measured at amortised cost using the effective interest method. Trade and other receivables, with no stated interest rate, are measured at the original invoice amount if the effect of discounting is immaterial.

e) Taxation, including deferred taxation

The Company's liability for current tax is based on taxable profits for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit. Temporary differences arising from Goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantially enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is "probable" to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted.

Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The standard rate of corporation tax changed from 30% to 28% in the UK with effect from 1 April 2008.

1. Accounting policies (continued)

f) Accounting standards, interpretations and amendments to published standards not yet effective
The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 July 2008, or later periods. These new standards are listed below:

- IFRIC 12 "Service Concession Arrangements" (effective from 1 January 2008).
- IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective from 1 January 2008).
- IFRIC 13 "Customer Loyalty Programmes" (effective from 1 July 2008).
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective from 1 October 2008).
- IAS 1 (revised) "Presentation of Financial Statements" (effective from 1 January 2009).
- IAS 32 "Financial Instruments: Presentation" (effective 1 January 2009).
- Amendment to IAS 23 "Borrowing Costs" (effective from 1 January 2009).
- IFRS 8 "Operating Segments" (effective from 1 January 2009).
- IFRIC 15 "Agreements for the Construction of Real Estate" (effective from 1 January 2009).
- Amendments to IFRS 2 "Share-Based Payments" (effective from 1 January 2009).
- Amendments to IFRS 1 "First Time Adoption of International Financial Reporting Standards" (effective 1 January 2009).
- IFRS 3 "Business Combinations" (effective from 1 July 2009).
- IAS 27 "Consolidated & Separate Financial Statements" (effective from 1 July 2009).

The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

Critical accounting policies are those that require significant judgement or estimates and potentially result in material different results under different assumptions or conditions. The Directors believe that the Company is not subject to any such policies

2. Investment income

	2008 £'000	2007 £'000
Investment income		
Dividends from joint ventures	**3,200**	3,600

3. Profit before taxation

Staff costs during the year were £nil (2007: £nil) and the average monthly number of persons employed by the Company during the year was none (2007: none). The Directors did not receive any remuneration during either year in respect of their services to the Company.

Amounts paid to the auditors for audit services of £7,500 (2007: £6,250) were borne by another Group subsidiary in 2008 and 2007. No amounts for other services have been paid to the auditors.

4. Taxation

No taxation charge was recognised in the year ended 30 June 2008 (2007: No taxation charge).

Reconciliation of effective tax rate

The taxation charge is lower than the expense that would have been charged using the standard rate of corporation tax in the UK of 29.5% (2007: 30%) applied to profit before tax. The differences are explained below:

	2008 £'000	2007 £'000
Profit before tax	**3,200**	3,600
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 29.5% (2007: 30%)	**944**	1,080
Effects of:		
UK dividend income upon which no tax is payable	**(944)**	(1,080)
Taxation	**-**	-

All taxation relates to UK corporation tax.

5. Investments in joint ventures

Investments in joint ventures represents the net book value of the Company's investment in Nickelodeon UK Limited, a company registered in England and Wales, comprising of loans and investment in share capital. In the year ended 30 June 2007, following alternation of Nickelodeon UK's articles of association, the company became a Limited company under UK law. Nickelodeon UK is a company which broadcasts a number of children's satellite television channels.

	2008 £'000	2007 £'000
Cost and net book value		
Beginning and end of year	**5,527**	5,527

At 30 June 2008, the company held 104 "B" shares of 1 pence each, representing 40% (2007: 40%) of the issued share capital of Nickelodeon UK Limited.

6. Trade and other receivables

	2008 £'000	2007 £'000
Amounts receivable from parent	**14,273**	11,073

Amounts owed by the parent undertaking are non-interest bearing and are repayable on demand.

The directors consider that the carrying amount of trade and other receivables at 30 June 2008 and 30 June 2007 approximates to their fair value.

7. Share capital

	2008	2007
	£	£
Authorised		
100 ordinary shares of £1	**100**	100
Allotted, called-up and fully paid		
2 ordinary shares of £1	**2**	2

The Company has one class of ordinary shares which carry equal voting rights and no contractual right to receive payment.

8. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade receivables.

	Loans and receivables £'000	Other liabilities £'000	Total carrying value £'000	Total fair values £'000
At 30 June 2008				
Trade and other receivables	14,273	-	14,273	14,273
At 30 June 2007				
Trade and other receivables	11,073	-	11,073	11,073

The Directors' deem the carrying value of financial assets and liabilities approximates fair values.

Capital Risk Management

The capital structure of the Company consists of equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings. Risk and treasury management is governed by British Sky Broadcasting Group plc's policies approved by its board of directors.

9. Related party transactions

For details of amounts owed by the parent, see note 6. Investment income of £3,200,000 (2007: £3,600,000) was receivable from Nickelodeon UK Limited during the year.

The Group's treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the company to lend and borrow cash to and from subsidiaries as required. Under this policy, British Sky Broadcasting Limited received cash of £ 3,200,000 (2007: £3,600,000) on behalf of the company, during the year.

10. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of Sky Ventures Limited, a company incorporated in Great Britain and registered in England and Wales. The only group in which the results of the Company are consolidated is that headed by British Sky Broadcasting Group plc, the Company's ultimate parent undertaking and controlling party.

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.