KIDSPROG LIMITED

Annual report and financial statements
For the year ended 30 June 2011

Registered number 2767224

Directors and Officers

For the year ended 30 June 2011

Directors

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

D J Darroch

A J Griffith

Secretary

D J Gormley

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

Auditor

Deloitte LLP

Chartered Accountants

London

United Kingdom

Directors' Report

The Directors present their Annual Report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 30 June 2011

Business review and principal activities

The Company is a wholly-owned subsidiary of Sky Ventures Limited The ultimate parent company is 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 for an investment in Nickelodeon U K Limited, a company which broadcasts a number of children's satellite television channels The Directors expect that there will be no major changes in the Company's activities in the following year For the foreseeable future, the Company will continue to trade as a going concern and will continue to hold the investment in Nickelodeon U K Limited

Results for the year

The audited accounts for the year ended 30 June 2011 are set out on pages 7 to 17 The profit for the year was £7,200,000 (2010 £8,000,000) The decrease in profit during the year was due to the Company receiving less dividend income from Nickelodeon U K Limited of £7,200,000 (2010 8,000,000) Shareholder's equity increased by £7,200,000 to £42,800,000 from £35,600,000 at the previous year ended 30 June 2010, 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 2011 (2010 £nil)

Key performance indicators (KPIs)

The Group manages its operations on a divisional basis For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the Company

Principal risks and uncertainties

The Company's activities expose it to liquidity risk

Financial risk management objectives and policies

Credit risk

The Company's credit risk is primarily attributable to its trade and receivables and amounts owed from other Group companies An allowance for impairment is made when there is an identified loss event, which based on previous experience, is evidence of a reduction in the recoverability of the cash flows The intercompany balances of the Company are detailed in notes 6 and 7

Liquidity risk

The Company relies on the Group Treasury function to manage its liquidity and ensure that sufficient funds are available for ongoing operations and future developments The Group currently has access to an undrawn £750 million revolving credit facility which is due to expire on 30 July 2013 The Company benefits from this liquidity through intra-group facilities and loans

Financial risk management objectives and policies (continued)

Cash flow risk

The Directors do not believe the Company is exposed to cash flow risk as the Company does not have any cash balances

Price risk

The Directors do not believe the Company is exposed to price risk as the Company is a holding company and not a trading company

Going concern

The Company's business activities, together with the factors likely to affect its future development and performance are set out in the Business Review The Directors' Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposures to liquidity risk

After making enquiries, the Directors have formed a judgment at the time of approving the financial statements that the Company will have access to adequate resources to continue in existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Directors

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

Directors' Report (continued)

Auditor

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information

Deloitte LLP 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
30 November 2011

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 Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 period In preparing these financial statements, International Accounting Standard 1 requires that Directors

- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006 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

Auditor's report

Independent Auditor's Report to the Members of Kidsprog Limited.

We have audited the financial statements of Kidsprog Limited for the year ended 30 June 2011 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 12 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Separate opinion in relation to IFRSs as issued by the IASB
As explained in note 1 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB)

In our opinion the financial statements comply with IFRSs as issued by the IASB

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

William Touche (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30th November 2011

Statement of Comprehensive Income
For the year ended 30 June 2011

	Notes	2011 £'000	2010 £'000
Investment income	2	**7,200**	8,000
Profit before tax	3	**7,200**	8,000
Tax	4	-	-
Profit for the year attributable to equity shareholders		**7,200**	8,000

The accompanying notes are an integral part of this Statement of Comprehensive Income

For the years ended 30 June 2011 and 30 June 2010, the Company did not have any items of other comprehensive income

All results relate to continuing operations

Statement of Changes in Equity
For the year ended 30 June 2011

	Share capital £'000	**Retained earnings £'000**	**Total shareholder's equity £'000**
At 1 July 2009	-	27,600	27,600
Profit for the year	-	8,000	8,000
At 30 June 2010	-	**35,600**	**35,600**
Profit for the year	-	7,200	7,200
At 30 June 2011	-	**42,800**	**42,800**

The accompanying notes are an integral part of this Statement of Changes in Equity

Balance Sheet

As at 30 June 2011

	Notes	2011 £'000	2010 £'000
Non-current assets			
Investment in joint venture	5	**5,527**	5,527
Current assets			
Trade and other receivables	6	**42,800**	35,600
Total assets		**48,327**	41,127
Current liabilities			
Trade and other payables	7	**5,527**	5,527
Total liabilities		**5,527**	5,527
Share capital	8	**-**	-
Reserves		**42,800**	35,600
Total equity attributable to equity shareholders		**42,800**	35,600
Total liabilities and shareholder's equity		**48,327**	41,127

The accompanying notes are an integral part of this balance sheet

The Company has no cash flows Accordingly, no cash flow statement or reconciliation of operating profit to cash flows from operating activities has been prepared

The financial statements of Kidsprog Limited, registered number 2767224, were approved by the Board of Directors on 30 November 2011 and were signed on its behalf by

A J Griffith
Director

30 November 2011

Notes to the financial statements

1. Accounting policies

Kidsprog Limited (the "Company") is a limited liability Company incorporated in England and Wales and domiciled in the United Kingdom ("UK")

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the Companies Act 2006 In addition, the Company also complied with IFRS as issued by the International Accounting Standards Board ("IASB")

b) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Director's Report) and on a historical cost basis, except for the remeasurement to fair value of financial instruments as described in the accounting policies below The Company has adopted the new accounting pronouncements which became effective this period, none of which had any significant impact on the Company's results or financial position

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year In fiscal year 2011, this date was 3 July 2011, this being a 53 week year (fiscal year 2010 27 June 2010, 52 week year) For convenience purposes, the Company continues to date its financial statements as at 30 June The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company

c) Investments in joint ventures

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

d) Financial assets and liabilities

Financial assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs At each balance sheet date, the Company assesses whether there is any objective evidence that any financial asset is impaired Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the financial asset or liability Financial assets are derecognised from the balance sheet when the Company's contractual rights to the cash flows expire or the Company transfers substantially all the risks and rewards of the financial asset Financial liabilities are derecognised from the Company's balance sheet when the obligation specified in the contract is discharged, cancelled or expires

i. 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 An allowance account is maintained to reduce the carrying value of trade and other receivables for impairment losses identified from objective evidence, with movements in the allowance account, either from increased impairment losses or reversals of impairment losses, being recognised in the statement of comprehensive income

Notes to the financial statements

1. Accounting policies (continued)

d) Financial assets and liabilities (continued)

ii. Trade and other payables

Trade and other payables are non-derivative financial liabilities and are measured at amortised cost using the effective interest method Trade and other payables, with no stated interest rate, are measured at the original invoice amount if the effect of discounting is immaterial

e) Impairment

At each balance sheet date, and in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets excluding financial assets (see accounting policy d) to determine whether there is any indication that any of those assets have suffered an impairment loss

An impairment is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset

An impairment loss for an individual asset shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

f) Tax

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

g) Critical accounting policies and the use of judgement

Certain accounting policies are considered to be critical to the Company An accounting policy is considered to be critical if its selection or application materially affects the Company's financial position or results The Directors are required to use their judgment in order to select and apply the Company's critical accounting policies

The Company's key critical accounting policies are the recoverability of receivables and carrying value of investments

i Receivables

Judgement is required in evaluating the likelihood of collection of debt, this evaluation requires estimates to be made, including the level of provision to be made for amounts with uncertain recovery profiles

ii. Investments

The Company reviews the carrying amounts of its investment to determine whether there is any indication that the investment has suffered an impairment loss

Notes to the financial statements

1. Accounting policies (continued)

h) 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 but are only effective for our accounting periods beginning on or after 1 July 2011 or later periods

– IAS 24 Revised (2009) "Related Party Disclosures" (effective 1 January 2011),

– Improvements to IFRSs 2010 – various standards (effective 1 January 2011),

– IFRS 9 "Financial Instruments" (effective 1 January 2015),

– IFRS 11 "Joint Arrangements" (effective 1 January 2013),

– IFRS 12 "Disclosure of Interests in Other Entities" (effective 1 January 2013), and

– IFRS 13 "Fair Value Measurement" (effective 1 January 2013)

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

Notes to the financial statements

2. Investment income

	2011	2010
	£'000	£'000
Dividend from joint venture	**7,200**	8,000

Dividends totalling £7,200,000 (2010 £8,000,000) were received in the year from Nickelodeon U K Limited

3. Profit before tax

Staff costs during the year were £nil (2010 £nil) and the average monthly number of persons employed by the Company during the year was nil (2010 nil)

The Directors did not receive any remuneration during 2011 and 2010 in respect of their services to the Company

Audit fees

Amounts paid to the auditor for audit services of £6,250 (2010 £6,250) were borne by another Group subsidiary in 2011 and 2010 No amounts for other services have been paid to the auditor

Notes to the financial statements

4. Tax

No tax charge was recognised in the year ended 30 June 2011 (2010 £nil)

Reconciliation of effective tax rate

The tax expense for the year is lower (2010 lower) than the blended rate of corporation tax in the UK (27 5%) applied to profit before tax The applicable or substantively enacted effective rate of UK corporation tax for the year was 27 5% (2010 28%) The differences are explained below

	2011	2010
	£'000	£'000
Profit before tax	**7,200**	8,000
Profit before tax multiplied by the blended rate of corporation tax in the UK of 27 5% (2010 28%)	**1,980**	2,240
Effects of		
UK dividend income upon which no tax is payable	**(1,980)**	(2,240)
Tax	**-**	-

All taxa relates to UK corporation tax and is settled by British Sky Broadcasting Limited on the Company's behalf

5. Investment in joint venture

Investment in joint ventures represents the net book value of the Company's investment in Nickelodeon U K 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 U K's Articles of Association, the company became a Limited company under UK law Nickelodeon U K is a company which broadcasts a number of children's satellite television channels

	2011	2010
	£'000	£'000
Cost and net book value		
Beginning and end of year	**5,527**	5,527

At 30 June 2011, the company held 104 "B" shares of 1 pence each, representing 40% (2010 40%) of the issued share capital of Nickelodeon U K Limited

Notes to the financial statements

6. Trade and other receivables

	2011	2010
	£'000	£'000
Amounts receivable from parent company	**42,800**	35,600

The Directors consider that the carrying amount of trade and other receivables approximates to fair values

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

7. Trade and other payables

	2011	2010
	£'000	£'000
Amounts payable to the parent company	**5,527**	5,527

The Directors consider that the carrying amount of trade and other payables approximates to fair values

Trade payables principally comprise amounts outstanding for ongoing costs Trade payables are entirely due to the parent undertaking, Sky Ventures Limited, are repayable on demand and bear no interest

Notes to the financial statements

8. Share capital

	2011	2010
	£	£
Allotted, called-up and fully paid		
2 (2010 2) ordinary shares of £1 each	**2**	2

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

9. Financial risk management objectives and policies

Carrying value and fair value

The Company's principal financial instruments comprise trade payables and trade receivables

The accounting classification of each class of the Company's financial assets and financial liabilities, together with their fair values, is as follows

	Loans and receivables	Other liabilities	Total carrying value	Total fair values
	£'000	**£'000**	**£'000**	**£'000**
At 30 June 2011				
Trade and other payables	**-**	**(5,527)**	**(5,527)**	**(5,527)**
Trade and other receivables	**42,800**	**-**	**42,800**	**42,800**
At 30 June 2010				
Trade and other payables	-	(5,527)	(5,527)	(5,527)
Trade and other receivables	35,600	-	35,600	35,600

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments

Notes to the financial statements

9 Financial risk management objectives and policies (continued)

Liquidity risk

The Company's financial liabilities are shown in note 7

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows

	Less than 12 months	Between one and two years	Between two and five years	More than 5 years
	£'000	£'000	£'000	£'000
At 30 June 2011				
Trade and other payables	**5,527**	-	-	-
At 30 June 2010				
Trade and other payables	5,527	-	-	-

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

10. Transactions with related parties

a) Major shareholders of BSkyB plc

The Company conducts business transactions with companies that are part of the News Corporation group ("News Corporation"), a major shareholder of BSkyB, the ultimate parent undertaking of the Company

On 15 June 2010, News Corporation announced a proposal relating to a possible offer for the entire share capital of BSkyB not already owned by News Corporation On 13 July 2011, this proposal was withdrawn

b) Key management

The Company has a related party relationship with the Directors of the Company as key management At 30 June 2011, there were two (2010 two) key managers, both of whom were Directors of the Company No transactions were performed with the Directors of the Company during the year, see note 3

Notes to the financial statements

10. Transactions with related parties (continued)

c) Transactions with parent company and joint venture

For details of amounts owed by and amounts payable to the parent company, see notes 6 and 7

The Company holds 40% of the issued share capital of Nickelodeon U K Limited Investment income of £7,200,000 (2010 £8,000,000) was receivable from Nickelodeon U K 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 the parent company as required

Under this policy, British Sky Broadcasting Limited received cash of £7,200,000 (2010 £8,000,000) on behalf of the company during the year

11. Ultimate parent undertaking

The Company is ultimately controlled by British Sky Broadcasting Group plc ("BSkyB"), 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 BSkyB

The consolidated accounts of the 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

Sky Ventures Limited is the immediate parent company of Kidsprog Limited

12. Post balance sheet event

On 15 June 2010, News Corporation announced a proposal relating to a possible offer for the entire share capital of BSkyB not already owned by News Corporation On 13 July 2011, this proposal was withdrawn