KIDSPROG LIMITED

Annual report and financial statements
For the year ended 30 June 2012

Registered number 02767224

Directors and Officers

For the year ended 30 June 2012

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 (resigned 5/11/2012)

C J Taylor (appointed 5/11/2012)

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 2012

Business review and principal activities

The Company is a wholly-owned subsidiary of Sky Ventures Limited (the immediate parent company) 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 is a holding company with no external suppliers and therefore does not have a supplier payment policy

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 hold the investment in Nickelodeon U K Limited

The audited accounts for the year ended 30 June 2012 are set out on pages 7 to 17 The profit for the year was £10,000,000 (2011 £7,200,000) The increase in profit during the year was due to the Company receiving greater dividend income from Nickelodeon U K Limited of £10,000,000 compared to £7,200,000 in the prior year Total shareholder's equity increased by £10,000,000 to £52,800,000 from £42,800,000 at the previous year ended 30 June 2011, 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 2012 (2011 £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 financial risks, namely credit risk, and liquidity risk The Company is also exposed to risk through the performance of its investments

The Directors do not believe the business is exposed to cash flow risk, price risk, or foreign exchange risk

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 £743 million revolving credit facility which is due to expire on 31 October 2017 The Company benefits from this liquidity through intra-group facilities and loans

The Directors do not believe the business is exposed to cash flow risk, price risk, or foreign exchange risk

Directors' Report (continued)

Investment performance risk

The principal risk facing the Company relates to the recoverability of the Company's investment in joint ventures Recovery of these assets is dependent upon the generation of sufficient profits by the joint venture to pay dividends or from the proceeds of sale of such investments, in the event of their disposal The Company reviews the carrying amount of its investments at balance sheet date to determine whether there is any indication of impairment

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 and credit 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 and to the date of signing the financial statements are shown on page 1

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 auditor, and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

By Order of the Board,

C J Taylor
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD
5 December 2012

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 imited for the year ended 30 June 2012 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 11 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 Statement of Directors' Responsibilities, 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 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 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- 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
5th December 2012

Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	**2012**	2011
		£'000	£'000
Investment income	2	**10,000**	7,200
Profit before tax	3	**10,000**	7,200
Tax	4	**-**	-
Profit for the year attributable to equity shareholders		**10,000**	7,200

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

For the years ended 30 June 2012 and 30 June 2011, the Company did not have any items of other comprehensive income

All results relate to continuing operations

Balance Sheet

As at 30 June 2012

	Notes	2012	2011
		£'000	£'000
Non-current assets			
Investment in joint venture	5	**5,527**	5,527
Current assets			
Trade and other receivables	6	**52,800**	42,800
Total assets		**58,327**	48,327
Current liabilities			
Trade and other payables	7	**5,527**	5,527
Total liabilities		**5,527**	5,527
Share capital	8	**-**	-
Reserves		**52,800**	42,800
Total equity attributable to equity shareholders		**52,800**	42,800
Total liabilities and shareholder's equity		**58,327**	48,327

The accompanying notes are an integral part of this balance sheet

As at 30 June 2012 and 30 June 2011, the Company did not have any cash or cash equivalents 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 5 December and were signed on its behalf by

A J Griffith
Director

5 December 2012

Statement of Changes in Equity

For the year ended 30 June 2012

	Share capital £'000	Retained earnings £'000	Total shareholder's equity £'000
At 1 July 2010	-	35,600	35,600
Profit for the year	-	7,200	7,200
At 30 June 2011	**-**	**42,800**	**42,800**
Profit for the year	-	10,000	10,000
At 30 June 2012	**-**	**52,800**	**52,800**

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

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 2012, this date was 1 July 2012, this being a 52 week year (fiscal year 2011 3 July 2011, 53 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 venture

Investments are stated at cost, less any provision for 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

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 deferred tax (see accounting policy f) and financial assets 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 or its cash generating unit 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 Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis

An impairment loss for an individual asset or cash generating unit 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 Below is a summary of the Company's critical accounting policies and details of the key areas of judgment that are exercised in their application

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 2012 or later periods

These new pronouncements are listed below

– Amendments to IAS 12 "Income Taxes Deferred Tax – Recovery of Underlying Assets" (effective 1 January 2012)

– Amendments to IAS 1 "Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income" (effective 1 July 2012)

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

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

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

– Amendment to IAS 27 "Separate Financial Statements" (effective 1 January 2013)

– Amendment to IAS 28 "Investments in Associates and Joint Ventures" (effective 1 January 2013)

– Amendments to IFRS 7 "Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2013)

– Amendments to IAS 32 "Financial Instruments Presentation – Offsetting Financial Assets and Financial Liabilities" (effective 1 January 2014)

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

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

	2012	2011
	£'000	£'000
Dividend distribution from joint venture	**10,000**	7,200

Dividends totalling £10,000,000 (2011 £7,200,000) were received in the year from Nickelodeon U K Limited

3. Profit before tax

Audit fees

Amounts paid to the auditor for audit services of £6,250 (2011 £6,250) were borne by another Group subsidiary in 2012 and 2011 No amounts for other services have been paid to the auditor on behalf of the Company

Employee benefits and key management compensation

There were no staff costs during the year as the Company had no employees (2011 nil) Services are provided by employees of other companies within the Group with no charge being made for their services (2011 £nil) The Directors did not receive any remuneration during the year in respect of their services to the Company (2011 £nil)

Notes to the financial statements

4. Tax

No tax charge was recognised in the year ended 30 June 2012 (2011 £nil)

Reconciliation of effective tax rate

The tax expense for the year is lower (2011 lower) than the expense that would have been charged using the standard rate of corporation tax in the UK (25 5%) applied to profit before tax The applicable or substantively enacted effective rate of UK corporation tax for the year was 25 5% (2011 27 5%) The differences are explained below

	2012	2011
	£'000	£'000
Profit before tax	**10,000**	7,200
Profit before tax multiplied by the blended rate of corporation tax in the UK of 25 5% (2011 27 5%)	**2,550**	1,980
Effects of		
Non- taxable dividends received	**(2,550)**	(1,980)
Tax	**-**	-

All tax 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 Company 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

	2012	2011
	£'000	£'000
Cost and net book value		
Beginning and end of year	**5,527**	5,527

At 30 June 2012, the company held 104 "B" shares of 1 penny each, representing 40% (2011 40%) of the issued share capital of Nickelodeon U K Limited The Company accounts for the 40% holding in Nickelodeon UK Limited as an investment in joint venture The investment is held at cost and reviewed for impairment at each balance sheet date

6. Trade and other receivables

	2012 £'000	2011 £'000
Amounts receivable from immediate parent company	**52,800**	42,800

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

The amounts receivable from the ultimate parent have been assessed to be fully recoverable and as such no other allowances have been recorded

Amounts due from the immediate parent company totalling £52,800,000 (2011 £42,800,000) are non-interest bearing and are repayable on demand

7. Trade and other payables

	2012 £'000	2011 £'000
Amounts payable to the ultimate parent company	**5,527**	5,527

The Directors consider that the carrying amount of trade and other payables approximates to their fair value Trade payables principally comprise amounts outstanding for the initial investment in Nickelodeon

Amounts due to the ultimate parent company totalling £5,527,000 (2011 £5,527,000) are non-interest bearing and are repayable on demand

Notes to the financial statements

8. Share capital

	2012	2011
	£	£
Allotted, called-up and fully paid		
2 (2011 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. Derivatives and other financial instruments

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 2012				
Trade and other payables	**-**	**(5,527)**	**(5,527)**	**(5,527)**
Trade and other receivables	**52,800**	**-**	**52,800**	**52,800**
At 30 June 2011				
Trade and other payables	-	(5,527)	(5,527)	(5,527)
Trade and other receivables	42,800	-	42,800	42,800

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

9. Financial risk management objectives and policies

The Group's Treasury function is responsible for raising finance for the Company's operations, together with associated liquidity management and management of foreign exchange, interest rate and credit risks Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by both the Audit Committee and the Board, which receive regular updates of Treasury activity Derivative instruments are transacted for risk management purposes only It is the Group's policy that all hedging is to cover known risks and no speculative trading is undertaken Regular and frequent reporting to management is required for all transactions and exposures, and the internal control environment is subject to periodic review by the Group's internal audit team

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

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 The amounts disclosed may not reconcile to the amounts disclosed on the balance sheet for trade and other payables

	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 2012				
Trade and other payables	**5,527**	-	-	-
At 30 June 2011				
Trade and other payables	5,527	-	-	-

11. 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 Transactions with joint ventures of the News Corporation group are discussed in part d

b) Key management

The Company has a related party relationship with the Directors of the Company as key management At 30 June 2012, there were two (2011 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

11. Transactions with related parties (continued)

c) Transactions with parent company

For details of amounts owed by and amounts payable to the parent company, see notes 6 and 7 Movement in trade and other receivables for the year is £10,000,000 and relates to dividend income received from Nickelodeon U K Limited For further detail, see note 2

d) Transactions with joint ventures

The Company holds 40% of the issued share capital of Nickelodeon U K Limited Investment income of £10,000,000 (2011 £7,200,000) was receivable from Nickelodeon U K Limited during the year There are no outstanding balances with this entity at year end

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 income of £10,000,000 (2011 £7,200,000) on behalf of the company during the year This amount appears as an intercompany receivable owed to the company Please refer to note 6 for details of intercompany receivables

11. 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 Company is ultimately controlled by British Sky Broadcasting Group plc ("BSkyB") The only group in which the results of the Company are consolidated is that headed by BSkyB

The consolidated financial statements 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