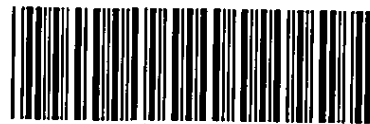


# Nickelodeon U.K. Limited

(Registered Number 02797365)

**Directors' report and financial statements**  
**For the 18 month period**  
**ended 31 December 2006**

THURSDAY



\*LVD46V20\*

LD8

29/11/2007

52

COMPANIES HOUSE

# **Nickelodeon U.K. Limited**

**Annual report for the 18 month period ended 31 December 2006**

## **Company information**

<b>Directors</b>	R Bakish M Darcey S Grieder D Lynn D Rey
<b>Secretary</b>	C Taylor
<b>Company number</b>	02797365
<b>Registered office</b>	15-18 Rathbone Place London W1T 1HU
<b>Auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
<b>Business address</b>	15-18 Rathbone Place London W1T 1HU
<b>Bankers</b>	Barclays Bank 27 Soho Square London W1D 3QR

# **Nickelodeon U.K. Limited**

## **Annual report for the 18 month period ended 31 December 2006**

### **Contents**

	<b>Pages</b>
Directors' report	1 - 3
Auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Cashflow statement	8
Notes to the financial statements	9 - 22

# **Nickelodeon U.K. Limited**

## **Directors' Report**

The directors present their annual report and the audited financial statements of the company for the 18 month period ended 31 December 2006

### **Change in accounting reference date**

The company has changed its accounting reference date from 30 June to 31 December to bring it in line with Viacom Inc, our majority shareholder. Accordingly these financial statements are for the 18 month period to 31 December 2006

### **Principal activities**

The principal activities of the company continue to be the broadcasting of children's television, together with related activities

### **Results and dividend**

The results for the company show a pre-tax profit for the 18 month period of £24,808,000 (2005 £11,191,000) and turnover of £77,833,000 (2005 £41,625,000). This successful period has been driven by consistent ratings performance which saw the Nickelodeon network of channels achieve the highest share of viewing of all children's networks in cable and satellite homes in 2006

Interim dividends totalling £3,000,000 were paid during the period (2005 £5,000,000). A final dividend of £4,000,000 has been paid during the period (2005 final dividend proposed and authorised £4,000,000)

### **Future developments**

The external commercial environment is expected to remain competitive in 2007 as all UK children's television broadcasters continue to invest in new channels and platforms

Accordingly the directors remain confident that the general level of activity will increase in the future as the company continues to expand and explore new commercial opportunities

### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks

The key risks and uncertainties affecting the company relate to changes in legislation and regulation within the children's television industry and competition from other broadcasters

There is a foreign exchange risk relating to US Dollar transactions but this is offset in part by forward contracts

### **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

### **Shareholders**

Nickelodeon UK Limited is a company 40% owned by Nickelodeon Huggings UK Limited, 20% owned by Nickelodeon UK Holdings LLC (both wholly owned subsidiaries of Viacom Inc) and 40% Kidsprog UK Limited (a wholly owned subsidiary of British Sky Broadcasting Group plc)

# Nickelodeon U.K. Limited

## Directors' Report (continued)

### Directors

The directors who served during the period are as shown below

Directors appointed by Kidsprog UK Limited

R Freudenstein	(resigned 23 March 2006)
C Stylianou	(resigned 1 June 2006)
D Airey	(appointed 23 March 2006, resigned 6 March 2007)
D Rey	

M Darcey was appointed after the period end on 18 May 2007

Directors appointed by Nickelodeon Huggings UK Limited

JD Dunn	(resigned 23 March 2006)
S Grieder	
M Bakker	(resigned 18 May 2007)
C Zarghami	(appointed 2 June 2006, resigned 18 May 2007)

D Lynn and R Bakish were both appointed after the period end on 18 May 2007

### Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

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.

# **Nickelodeon U.K. Limited**

## **Directors' Report** (continued)

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Payment policy**

The policy of the company is to agree terms of payment with suppliers prior to entering into a contractual relationship. In the absence of a specific agreement it is the policy of the company to pay suppliers on a monthly basis. Creditor days at 31 December 2006 were 20 days (2005: 25 days).

### **Employment of disabled persons**

The company's policy is that, wherever it is practicable and reasonable within existing legislation, all employees, including disabled persons, are treated in the same way in matters relating to employment, training, career development and promotion. Full and fair consideration is given to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

### **Employee involvement**

The company has maintained its commitment to employee involvement in the business through established methods of appraisal and regular operational meetings.

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution concerning the reappointment of PricewaterhouseCoopers LLP, will be proposed at the Annual General Meeting.

### **Statement of disclosure to auditors**

- a) So far as the directors are aware there is no relevant audit information of which the company's auditors are unaware, and
- b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



C Taylor  
Secretary

(Date) 26/11/07

## **Nickelodeon U.K. Limited**

### **Independent auditors' report to the members of Nickelodeon U.K. Limited**

We have audited the financial statements of Nickelodeon U.K. Limited for the 18 month period ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 of Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards of 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 judgments 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.

## Nickelodeon U.K. Limited

### Independent auditors' report to the members of Nickelodeon U.K. Limited

(continued)

#### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2006 and of its profit and cash flows for the period 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

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London

*29 November 2007*

# Nickelodeon U.K. Limited

## Profit and loss account

For the 18 month period ended 31 December 2006

	<i>Note</i>	18 month period ended 31 December 2006 £'000	Year ended 30 June 2005 £'000
Turnover	1(i),2	77,833	41,625
Other operating income	4	26	964
Operating expenses	3	(53,325)	(31,667)
<b>Operating profit</b>		<b>24,534</b>	<b>10,922</b>
Interest receivable and similar income	5(a)	284	276
Interest payable and similar charges	5(b)	(10)	(7)
<b>Profit on ordinary activities before taxation</b>	<b>6</b>	<b>24,808</b>	<b>11,191</b>
Taxation on profit on ordinary activities	8	(7,506)	(3,389)
<b>Profit for the financial period/year</b>	<b>19</b>	<b>17,302</b>	<b>7,802</b>

There is no difference between the profit on ordinary activities before taxation and the profit for the financial period stated above, and their historical cost equivalents

The results relate wholly to continuing activities

The company has no recognised gains and losses other than the profits reported above and therefore no separate statement of total recognised gains and losses has been presented

The profit and loss account is for the 18 month period 1 July 2005 to 31 December 2006 The comparative results are for the year ended 30 June 2005

# Nickelodeon U.K. Limited

## Balance sheet as at 31 December 2006

	Note	31 December 2006 £'000	30 June 2005 £'000
<b>Fixed assets</b>			
Intangible assets	10	4,499	-
Tangible assets	11	1,127	1,173
		5,626	1,173
<b>Current assets</b>			
Stock	12	21,265	14,229
Debtors	13	17,019	8,134
Cash at bank and in hand		7,135	8,647
		45,419	31,010
<b>Creditors</b> amounts falling due within one year	14	(18,712)	(14,768)
<b>Net current assets</b>		26,707	16,242
<b>Total assets less current liabilities</b>		32,333	17,415
<b>Creditors</b> amounts falling due after more than one year	15	(121)	(336)
<b>Provision for liabilities</b>	17	(418)	(365)
<b>Net assets</b>		31,794	16,714
<b>Capital and reserves</b>			
Called up share capital	18	-	-
Share premium	20	4,779	1
Profit and loss account	20	27,015	16,713
<b>Equity shareholders' funds</b>	19	31,794	16,714

The financial statements on pages 6 to 22 were approved by the board of directors on 26 November 2007 and were signed on its behalf by

D Lynn  
Director



D Rey  
Director



# Nickelodeon U.K. Limited

## Cash flow statement

For the 18 month period ended 31 December 2006

		18 month period ended 31 December 2006 £'000	Year ended 30 June 2005 £'000
	Note		
<b>Net cash inflow from operating activities</b>	22	15,623	9,713
<b>Returns on investments and servicing of finance</b>			
Interest received		284	276
Interest paid		(10)	-
<b>Net cash inflow from returns on investments and servicing of finance</b>		274	276
<b>Taxation</b>			
UK corporation tax paid		(5,673)	(3,380)
<b>Net cash outflow from taxation</b>		(5,673)	(3,380)
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets		(4,778)	-
Purchase of tangible fixed assets		(736)	(948)
<b>Net cash outflow from capital expenditure and financial investment</b>		(5,514)	(948)
<b>Equity dividends paid</b>		(11,000)	(5,000)
<b>Financing</b>			
Issue of ordinary share capital		4,778	-
<b>Net cash inflow from financing</b>		4,778	-
<b>(Decrease)/increase in cash</b>	23	(1,512)	661

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### 1 Principal accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below

#### (a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards

#### (b) Tangible fixed assets

Fixed assets are shown at cost less accumulated depreciation

Depreciation is provided on all fixed assets at 25% per annum except for computers, and programme scheduling assets, on which the rates are 50% and 20% respectively. These rates are calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life

#### (c) Intangible fixed assets

The intangible asset relates to the acquisition of additional rights as part of a library of programmes. This is being written off on a straight line basis over 10 years. This is considered by management to be the useful economic life of the additional rights based on the properties within the library

#### (d) Stock

Television programme rights are stated at the lower of cost less accumulated amortisation and net realisable value. Provisions are made for any programme rights which are excess to the company's requirements or which will not be shown for any other reason. Direct costs of own productions are included within the cost of programme rights. Acquired television programme rights and the related liability are recorded at cost when the programmes are available for transmission

Programme rights are amortised over one of two bases

- the usage basis, which amortises the programme cost over the allowed number of plays, and
- the time basis, which amortises the programme cost over the period of the licence, not exceeding a period of five years

Where unlimited plays are available, the time basis is used. Where there are a limited number of plays available, the higher of the time basis and the usage basis is used

Programme costs for own productions are amortised on a straight-line basis over a period between three and five years

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 contracted for, in note 21

Programme payments made in advance of the company having availability to transmit the related programmes are treated as prepayments

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### 1 Principal accounting policies (continued)

#### (e) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation is provided using the liability method at the rates ruling at the year-end.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax with the following exemptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### (f) Foreign currency

Transactions 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 exchange contract or other hedging instruments. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date, or if hedged, at the appropriate hedged rate. Non-monetary assets are translated at historical rates. Exchange differences are dealt with in the Profit and Loss account.

#### (g) Pension costs

The company provides pensions to eligible employees through the BSkyB Group plc pension plan, which is a defined contribution plan. The assets of the plan are held independently of the BSkyB Group.

The amount charged to the profit and loss account is based on the contributions payable for the year.

#### (h) Leases

The rental costs arising from operating leases are charged to the profit and loss account in the year in which they are incurred, on a straight line basis.

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### (i) Turnover

Turnover, which excludes value added tax, represents the invoiced and accrued value of advertising, pay channel subscriptions and other revenues, which is recognised on performance of service

### (j) Financial instruments

The company uses derivative financial instruments to manage its exposure to foreign exchange risks. These have included forward foreign currency contracts. The company considers its derivative financial instruments to be hedges and matches them with the relevant hedged item. Where forward foreign exchange contracts are used to hedge future revenues or costs, the gain or loss is not recognised until the revenues arise or the costs are incurred.

## 2 Segmental information

All of the company's turnover arose in the United Kingdom from its principal and related activities

## 3 Operating expenses

	18 month period ended 31 December 2006 £'000	Year ended 30 June 2005 £'000
Cost of sales	45,366	25,941
Administrative expenses	7,959	5,726
	<hr/> 53,325	<hr/> 31,667

## 4 Other operating income

During the period ended 31 December 2006 Nickelodeon UK Limited received £26,000 from an insurance claim following the theft of an asset in November 2005.

During the year ended 30 June 2005 Nickelodeon UK Limited received £1,019,886 from the administrators of ITV Digital. The settlement represented a dividend of 9.1p in the £ in respect to Nickelodeon UK's claim of £56,336, together with payment for loss of earnings over the duration of the contract totalling £963,550.

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### 5 (a) Interest receivable and similar charges

	18 month period ended 31 December 2006 £'000	Year ended 30 June 2005 £'000
Bank interest receivable	284	276

### (b) Interest payable and similar charge

	18 month period ended 31 December 2006 £'000	Year ended 30 June 2005 £'000
Interest payable	10	7

### 6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting)

	18 month period ended 31 December 2006 £'000	Year ended 30 June 2005 £'000
Depreciation of intangible fixed assets	279	-
Depreciation of tangible fixed assets	782	628
Amortisation of programme rights	13,705	9,297
Net foreign currency gains	(401)	(680)
Operating lease rentals		
- plant and machinery	2,246	1,148
- other	702	505
Auditors' remuneration – audit fees		
- audit fees	50	29
- other assurance services	5	4
Restructuring costs	-	62

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### 7 Staff costs

Particulars of employees, including executive directors, are as shown below

	18 month period ended 31 December 2006 £'000	Year ended 30 June 2005 £'000
Wages and salaries	6,265	4,065
Social security costs	609	395
Other pension costs	287	172
	<b>7,161</b>	<b>4,632</b>

None of the directors received any remuneration in respect of their qualifying services to the company in the period (2005 - £nil). The average monthly number of persons employed by the company during the period/year was as follows

	18 month period ended 31 December 2006	Year ended 30 June 2005
Programming	38	36
Technical	24	27
Marketing	9	8
Administration	27	27
	<b>98</b>	<b>98</b>

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### 8 Taxation

	18 month period ended 31 December 2006 £'000	Year ended 30 June 2005 £'000
<b>Current Tax</b>		
UK corporation tax on profit for the period/year	7,471	3,343
Adjustment in respect of previous periods	(45)	31
<b>Total current tax</b>	<b>7,426</b>	<b>3,374</b>
<b>Deferred Tax</b>		
Origination and reversal of timing differences	33	41
Adjustments in respect of prior periods	47	(26)
<b>Total deferred tax</b>	<b>80</b>	<b>15</b>
<b>Tax on profit on ordinary activities</b>	<b>7,506</b>	<b>3,389</b>

The tax assessed for the period varied from the amount computed by applying the standard rate of corporation tax in the UK (30%) to the profit on ordinary activities before tax. The differences were attributed to the following factors:

	18 month period ended 31 December 2006 £'000	Year ended 30 June 2005 £'000
<b>Profit on ordinary activities before tax</b>	<b>24,808</b>	<b>11,191</b>
Profit on ordinary activities multiplied by standard rate in the UK –30% (2005 30%)	7,442	3,357
Effects of		
Expenses not deductible for tax purposes	63	27
Depreciation in excess of capital allowances	(46)	(35)
Other short term timing differences	12	(6)
Adjustment in respect of prior periods	(45)	31
<b>Current tax charge for the period/year</b>	<b>7,426</b>	<b>3,374</b>

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### 8 Taxation (continued)

The deferred tax charge was mainly as a result of the tax effect of timing differences as follows

	18 month period ended 31 December 2006 £'000	Year ended 30 June 2005 £'000
Accelerated capital allowances	45	35
Prior year adjustment	47	(26)
Other timing differences	(12)	6
<b>Total deferred tax charge</b>	<b>80</b>	<b>15</b>

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. This includes proposals to reduce the standard corporation tax rate to 28%. The changes had not been substantively enacted at the balance sheet date and, therefore, are not quantified in these financial statements.

### 9 Dividends

	18 month period ended 31 December 2006 £'000	Year ended 30 June 2005 £'000
<b>Dividends declared and paid during the period</b>		
Interim dividend paid of £14,423 (2005 £24,038) per 1p 'A and B' ordinary share	3,000	5,000
Final dividend paid of £15,385 (2005 declared and authorised £19,231) per 1p 'A and B' ordinary share	4,000	4,000
	<b>7,000</b>	<b>9,000</b>

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### 10 Intangible fixed assets

	Acquired programme library £'000
<b>Cost</b>	
At 1 July 2005	-
Additions	4,778
<b>At 31 December 2006</b>	<b>4,778</b>
<b>Depreciation</b>	
At 1 July 2005	-
Charge for the period	279
<b>At 31 December 2006</b>	<b>279</b>
<b>Net book amount</b>	
<b>At 31 December 2006</b>	<b>4,499</b>
At 30 June 2005	-

### 11 Tangible fixed assets

	Leasehold improvements £'000	Equipment, fixtures and fittings £'000	Channel management system £'000	Total £'000
<b>Cost</b>				
At 1 July 2005	1,924	8,847	270	11,041
Additions	111	563	62	736
<b>At 31 December 2006</b>	<b>2,035</b>	<b>9,410</b>	<b>332</b>	<b>11,777</b>
<b>Depreciation</b>				
At 1 July 2005	1,734	8,080	54	9,868
Charge for the period	128	552	102	782
<b>At 31 December 2006</b>	<b>1,862</b>	<b>8,632</b>	<b>156</b>	<b>10,650</b>
<b>Net book amount</b>				
<b>At 31 December 2006</b>	<b>173</b>	<b>778</b>	<b>176</b>	<b>1,127</b>
At 30 June 2005	190	767	216	1,173

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### 12 Stock

	31 December 2006 £'000	30 June 2005 £'000
Television programme rights	18,330	13,602
Own productions	2,917	615
Other stock	18	12
	<b>21,265</b>	<b>14,229</b>

### 13 Debtors: amounts falling due within one year

	31 December 2006 £'000	30 June 2005 £'000
Trade debtors	1,176	1,097
Deferred tax asset (note 16)	281	361
Amounts due from shareholder group companies	6,664	1,780
Other debtors	1,532	387
Prepayments and accrued income	7,366	4,509
	<b>17,019</b>	<b>8,134</b>

The amounts due from shareholder group companies are interest free, unsecured and repayable on demand

### 14 Creditors: amounts falling due within one year

	31 December 2006 £'000	30 June 2005 £'000
Trade creditors	556	728
Programme creditors	3,728	1,636
Amounts due to shareholder group companies	3,303	1,314
Corporation tax creditor	3,708	1,955
VAT creditor	1,039	438
Taxation and social security	395	140
Other creditors	101	69
Accruals and deferred income	5,882	4,488
Final dividend declared and authorised	-	4,000
	<b>18,712</b>	<b>14,768</b>

The amounts due to shareholder group companies are interest free, unsecured and repayable on demand

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### 15 Creditors: amounts falling due after more than one year

	31 December 2006 £'000	30 June 2005 £'000
Programme creditors	121	123
Amounts due to shareholder group companies	-	213
	<u>121</u>	<u>336</u>

### 16 Deferred taxation

The elements of deferred taxation provided for in the financial statements are as follows

	31 December 2006 £'000	30 June 2005 £'000
Accelerated capital allowances	(249)	(295)
Other short term timing differences	(32)	(66)
<b>Total deferred tax asset</b>	<u>(281)</u>	<u>(361)</u>

	£'000	£'000
<b>Deferred tax asset</b>		
At 30 June 2005	(361)	(376)
Profit and loss account	80	15
<b>At 31 December 2006</b>	<u>(281)</u>	<u>(361)</u>

There is no unrecognised deferred tax asset

### 17 Provisions for liabilities

	£'000
At 30 June 2005	365
Charged to the profit and loss account in the period	53
<b>At 31 December 2006</b>	<u>418</u>

The provision relates to the estimated costs of the dilapidation repairs spread over the remaining period of the lease which runs until March 2010

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### 18 Called up share capital

	31 December 2006 £'000	30 June 2005 £'000
<b>Authorised</b>		
1,000,000 'A' ordinary shares of 1p each	10	10
1,000,000 'B' ordinary shares of 1p each	10	10
	<b>20</b>	<b>20</b>
	31 December 2006 £'000	30 June 2005 £'000
<b>Allotted, called up and fully paid</b>		
156 (2005 104) 'A' ordinary shares of 1p each	-	-
104 'B' ordinary shares of 1p each	-	-
	<b>-</b>	<b>-</b>

'A' ordinary shares are held (indirectly) by Viacom Inc

'B' ordinary shares are held (indirectly) by British Sky Broadcasting Group plc

During the period a further 52 'A' ordinary shares at 1p each were issued for consideration of £91,878 61 per share to provide Viacom Inc with a majority shareholding

### 19 Reconciliation of movements in equity shareholders' funds

	31 December 2006 £'000	30 June 2005 £'000
Profit for the period/year	17,302	7,802
Dividends paid	(7,000)	(9,000)
New share capital subscribed	4,778	-
Net addition to shareholders' funds	<b>15,080</b>	<b>(1,198)</b>
Opening shareholders' funds	<b>16,714</b>	<b>17,912</b>
Closing shareholders' funds	<b>31,794</b>	<b>16,714</b>

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### 20 Reserves

	Share premium account £'000	Profit and loss account £'000	2006 Total £'000	2005 Total £'000
1 July 2005	1	16,713	16,714	17,912
Premium on issue of shares	4,778	-	4,778	-
Profit for the year	-	17,302	17,302	7,802
Dividends	-	(7,000)	(7,000)	(9,000)
<b>At 31 December 2006</b>	<b>4,779</b>	<b>27,015</b>	<b>31,794</b>	<b>16,714</b>

### 21 Guarantees and other financial commitments

#### (a) Programme right commitments

	31 December 2006 £'000	30 June 2005 £'000
Programme right commitments are as follows		
Contracted, but not provided for	11,241	7,025

The commitments are payable in US dollars and are for periods up to August 2012. At 31 December 2006, the US dollar amounts have been translated at the year end spot rate of \$1 9606 £1 (2005- \$1 8959 £1)

#### (b) Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	31 December 2006 £'000		30 June 2005 £'000	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire - within 2-5 years	485	1,750	485	1,124
	485	1,750	485	1,124

# Nickelodeon U.K. Limited

## Notes to the financial statements for the 18 month period ended 31 December 2006

### 21 Guarantees and other financial commitments (continued)

#### (c) Forward currency contracts

In May 2005, the company entered into a number of forward exchange contracts to buy U S dollars to hedge the effect of exchange rate fluctuations on future U S dollar programme right payments up to June 2007

The forward exchange commitments for the year ending 31 December 2007 are \$3,394,000 (2005 \$10,933,000) equivalent to £1,810,000 (2005 £5,767,000) at the contract rates

### 22 Reconciliation of operating profit to net cash inflow from operating activities

	18 month period ended 31 December 2006 £'000	Year ended 30 June 2005 £'000
Operating profit	24,534	10,922
Depreciation of tangible fixed assets	782	628
Depreciation of intangible fixed assets	279	-
Amortisation of programme rights	13,705	9,297
Other non cash items foreign currency translation	(40)	204
Increase in provisions	53	36
Changes in working capital		
Increase in stock	(20,741)	(8,472)
Increase in debtors	(8,965)	(2,491)
Increase/(decrease) in creditors	6,016	(411)
<b>Net cash inflow from operating activities</b>	<b>15,623</b>	<b>9,713</b>

### 23 Analysis of net funds

	1 July 2005 £'000	Cashflow £'000	31 Dec 2006 £'000
Cash at bank and in hand	8,647	(1,512)	7,135
<b>Net funds</b>	<b>8,647</b>	<b>(1,512)</b>	<b>7,135</b>

## Nickelodeon U.K. Limited

### Notes to the financial statements for the 18 month period ended 31 December 2006

#### 24 Reconciliation of net cash flow to movement in net funds

	31 December 2006 £'000	30 June 2005 £'000
(Decrease)/increase in cash in the period/year	(1,512)	661
Movement in net funds in the period/year	(1,512)	661
Net funds at beginning of period/year	8,647	7,986
Net funds at end of period/year	7,135	8,647

#### 25 Related party transactions

The company conducts business transactions on a normal commercial basis with, and receives a number of services from, shareholder companies or members of their groups

Services provided by British Sky Broadcasting Group Plc include providing promotional services for a cost of £1,123,000 (2005 £744,000) The company also received revenue of £ 24,623,000 (2005 £15,508,000) in respect of direct to home subscriptions The company paid £1,543,000 for leasing a digital transponder and for uplink costs (2005 £795,000) and £203,000 (2005 £205,000) for interactive services, the lease of IT lines, and other sundry costs At 31 December 2006, the outstanding payables balance was £139,000 (2005 £9,000), and there was an outstanding receivables balance of £Nil (2005 £67,000)

Services provided by the Viacom group of companies include acting as the selling agent for airtime with a value of £39,302,000 (2005 £19,563,000) The company also paid Viacom group £436,000 (2005 £331,000) as a trademark and on-line licence fee and £7,056,000 (2005 £3,286,000) for transponder and uplink costs and the provision of marketing services, including sales commissions At 31 December 2006, the outstanding payables balance was £628,000 (2005 £57,000), and the outstanding receivables balance was £6,652,000 (2005 £1,667,000)

During the period, the company entered into new contracts for programming from the Viacom group of companies at a cost of \$11,495,000 (2005 \$6,220,000) At 31 December 2006, the outstanding payables balance was £2,536,000 (2005 £1,461,000)

In the period ended 31 December 2006 the company received £221,000 (2005 127,000) from the Paramount UK Partnership, a fellow group entity ultimately owned by British Sky Broadcasting Group plc and Viacom, for the use of the company's fixed assets and other facilities This amount is included within turnover At 31 December 2006, the outstanding receivables balance was £12,000 (2005 £46,000)

#### 26 Ultimate Controlling Party

The directors consider the ultimate controlling party to be National Amusements Inc , a company incorporated in the United States of America