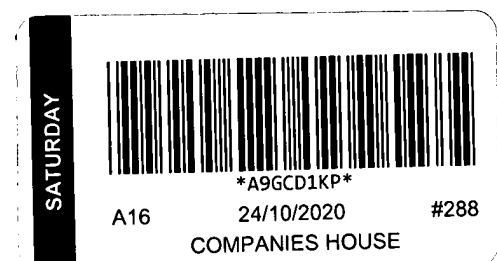


Registration number: 2797365

Nickelodeon U.K. Limited

Report and financial statements

for the 15 months ended 31 December 2019



Nickelodeon U.K. Limited

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Nickelodeon U.K. Limited

Company information

Directors	J.R. Currell (resigned 5 June 2019) C.L. Cooper (resigned 23 September 2019) D.G. Lynn M.J. Winterbottom J.J. Borkent M.P. Kyriacou (appointed 5 March 2020) L. Murphy (appointed 21 January 2020)
Company secretary	Fieldfisher Secretaries Limited
Registered office	17-29 Hawley Crescent Camden London United Kingdom NW1 8TT
Bankers	JPMorgan Chase Bank 1 Chaseside Bournemouth United Kingdom BH7 7DA
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London United Kingdom WC2N 6RH

Nickelodeon U.K. Limited

Strategic report for the 15 months ended 31 December 2019

The directors present their strategic report and the audited financial statements for Nickelodeon U.K. Limited ('the Company') for the 15 months ended 31 December 2019.

Principal activities

The principal activity of the company is to operate and transmit 8 pay TV channels for children aged 2 to 12 years old: Nickelodeon (UK) & +1, Nickelodeon (Eire), Nick Jr (UK) & +1, Nick Jr (Eire), Nick Jr. Too., Nick Jr. Too (Eire), Nicktoons, and Nicktoons (Eire). The Company's turnover arises from advertising impacts, pay TV distribution, consumer products and digital turnover streams. The directors expect this activity to continue for the foreseeable future.

Business review and future developments

The profit after tax for the 15 months ended 31 December 2019 was £40.2m (For the 12 months ended 30 September 2018: profit after tax of £37.3m. The profit for the financial period has been transferred to reserves.

Net assets as at 31 December 2019 total £46.2m (as at 30 September 2018: £49.9m).

The directors remain confident that the Company will maintain its current level of performance in the future.

Key performance indicators (KPIs)

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.

The Company's key financial and other performance indicators during the period were as follows:

	Unit	2019	2018
Turnover	£ 000	113,917	98,985
Operating profit	£ 000	49,011	45,982
Operating profit margin	%	43	46
Share of children's viewing in cable & satellite homes	%	8	8

Principal risks and uncertainties

The key business risks and uncertainties affecting the Company are set out below:

Competition

The Company's channels compete with other linear television channels (pay and free) for the acquisition of programming, for viewers, for distribution and for advertising and sponsorship turnover. To mitigate this risk, we routinely review viewing data and carry out market research to understand our viewers' expectations and whether our content meets them.

Legislation and regulation

The Company may be exposed to changes in legislation and regulation within the children's TV industry. To mitigate this risk we receive regular updates from Ofcom and other regulatory bodies such as the Advertising Standards Authority (ASA) and Broadcast Committee of Advertising Practice (BCAP) concerning all aspects of broadcasting.

Nickelodeon U.K. Limited

Strategic report for the 15 months ended 31 December 2019

Credit risk

The Company's major customers include wholly-owned subsidiaries of Sky Plc., which owns Kidsprog Limited, a 40% shareholder in the Company, and wholly-owned subsidiaries of the ultimate controlling party. The Company has not implemented credit checks on these customers.

Covid-19 and Brexit risk

Looking ahead to the next financial year, COVID-19 is having a significant impact on the global economy, which could have a material effect on the Company's operating results and financial position. We are taking many steps to help mitigate the impact of both COVID-19 and Brexit, including cost reductions, managing spend and being creative with our content library and production models.


Liquidity risk

The Company's customer profile is such that late payments and defaults may reduce the funds available for operations and planned acquisitions. However, the risk is reduced as the Company's major customers include wholly-owned subsidiaries of Sky Plc. which owns Kidsprog Limited, a 40% shareholder in the Company and wholly-owned subsidiaries of the ultimate controlling party.

Foreign exchange risk

The Company has foreign currency assets and liabilities. The Company uses financial instruments such as forward currency contracts to manage the risk of fluctuating exchange rates for material liabilities which are denominated in foreign currency. The directors keep these measures under constant review.

Approved by the Board on 16 October 2020 and signed on its behalf by:


Maria Kyriacou (Oct 16, 2020 12:01 GMT+1)

M.P. Kyriacou (appointed 5 March 2020)
Director

Nickelodeon U.K. Limited

Directors' report for the 15 months ended 31 December 2019

The directors present their report and the financial statements for the period from 1 October 2018 to 31 December 2019.

Results and dividends

The profit for the 15 months ended 31 December 2019 £40.2m (12 months ended 30 September 2018: £37.3 m).

The following dividends were paid in 2019:

- A dividend of £40,385 per ordinary share amounting to £10.5m was paid in December 2018.
- A dividend of £40,385 per ordinary share amounting to £10.5m was paid in March 2019.
- A dividend of £19,231 per ordinary share amounting to £5.0m was paid in June 2019.
- A dividend of £19,231 per ordinary share amounting to £5.0m was paid in September 2019.
- A dividend of £38,462 per ordinary share amounting to £10.0m was paid in December 2019.

The following dividends were paid in 2018:

- A dividend of £40,385 per ordinary share amounting to £10.5m was paid in December 2017.
- A dividend of £30,769 per ordinary share amounting to £8.0m was paid in March 2018.
- A dividend of £26,923 per ordinary share amounting to £7.0m was paid in September 2018.
- A dividend of £19,231 per ordinary share amounting to £5.0m was paid in September 2018.

Financial risk management

Disclosure of risk management of the business have been included in the strategic report on page 2-3.

Directors

The directors during the period are set out on page 1.

Directors' liabilities

The Company has granted a qualifying third party indemnity in favour of its directors and officers against the financial exposure that they may incur in the course of their professional duties as directors and officers of the Company. This was in force during the financial period and at the date of approval for the financial statements.

Future developments

The children's TV market in the UK and Ireland is expected to remain highly competitive over the coming years. However, the directors are confident that opportunities exist for the Company to grow profits and audiences. The Directors consider that the results for the period and the position at the end of the period are satisfactory.

Change of reporting period

On 4 December 2019, Viacom Inc., the ultimate parent company of Nickelodeon U.K. Limited merged with CBS Corporation. The Company does not expect any financial impact as a result of this merger. The merger resulted in a change in the Company's fiscal year end from 30 September 2019 to 31 December 2019 to align with the year end of the ultimate parent company. Accordingly, the figures for the income statements, statements of changes in equity and the related notes for the fiscal year end are for a 15 month period from 1 October 2018 to 31 December 2019 and the comparatives are for 12 months from 1 October 2017 to 30 September 2018.

Nickelodeon U.K. Limited

Directors' report for the 15 months ended 31 December 2019


Disclosure of information to the auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board on 16 October 2020 and signed on its behalf by:


Maria Kyriacou (Oct 16, 2020 12:01 GMT+1)

M.P. Kyriacou (appointed 5 March 2020)
Director

Nickelodeon U.K. Limited

Statement of directors' responsibilities

The directors acknowledge their responsibilities for preparing the report and 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). 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, the directors are required to:


- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Approved by the Board on 16 October 2020 and signed on its behalf by:


Maria Kyriacou (Oct 16, 2020 12:01 GMT+1)

M.P. Kyriacou (appointed 5 March 2020)
Director

Nickelodeon U.K. Limited

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

Opinion

In our opinion, Nickelodeon U.K. Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the 15 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2019; the Income statement, the Statement of comprehensive income, the Statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Nickelodeon U.K. Limited

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Nickelodeon U.K. Limited

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

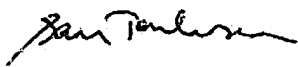
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Samuel Tomlinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 October 2020

Nickelodeon U.K. Limited

Income statement for the 15 months ended 31 December 2019

		For the 15 months ended 31 December 2019 £ 000	For the 12 months ended 30 September 2018 £ 000
	Note		
Turnover		113,917	98,985
Cost of sales		<u>(56,517)</u>	<u>(45,535)</u>
Gross profit		57,400	53,450
Administrative expenses		<u>(8,389)</u>	<u>(7,468)</u>
Operating profit	3	49,011	45,982
Other interest receivable and similar income	6	<u>609</u>	<u>41</u>
Profit before tax		49,620	46,023
Taxation	7	<u>(9,431)</u>	<u>(8,750)</u>
Profit for the financial period		<u>40,189</u>	<u>37,273</u>

The above results were derived from continuing operations.

The Company has no recognised gains or losses for the period other than the results above.

The notes on pages 14 to 31 form an integral part of these financial statements.

Nickelodeon U.K. Limited

Statement of comprehensive income for the 15 months ended 31 December 2019

	For the 15 months ended 31 December 2019 £ 000	For the 12 months ended 30 September 2018 £ 000
Profit for the financial period	<u>40,189</u>	<u>37,273</u>
Total comprehensive income for the financial period	<u>40,189</u>	<u>37,273</u>

The notes on pages 14 to 31 form an integral part of these financial statements.

Nickelodeon U.K. Limited

Statement of financial position as at 31 December 2019

	Note	As at 31 December 2019 £ 000	As at 30 September 2018 £ 000
Fixed assets			
Intangible assets	8	-	12
Tangible assets	9	72	110
		<u>72</u>	<u>122</u>
Current assets			
Stock	10	18,190	24,860
Debtors	11	30,629	26,033
Cash at bank and in hand		13,328	10,652
		<u>62,147</u>	<u>61,545</u>
Creditors: amounts falling due within one year	12	<u>(16,080)</u>	<u>(14,717)</u>
Net current assets		<u>46,067</u>	<u>46,828</u>
Net assets		<u>46,139</u>	<u>46,950</u>
Capital and reserves			
Called up share capital	17	-	-
Share premium account		4,778	4,778
Retained earnings		41,361	42,172
Total equity		<u>46,139</u>	<u>46,950</u>

Approved and authorised by the Board on 16 October 2020 and signed on its behalf by:

Mark Winterbottom
 Mark Winterbottom (Oct 16, 2020 10:48 GMT+1)

 M.J. Winterbottom
 Director

M.P. Kyriacou
 Maria Kyriacou (Oct 16, 2020 12:01 GMT+1)

 M.P. Kyriacou (appointed 5 March 2020)
 Director

Nickelodeon U.K. Limited

Statement of changes in equity for the 15 months ended 31 December 2019

	Called up share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2018	-	4,778	42,172	46,950
Profit for the period	-	-	40,189	40,189
Total comprehensive income	-	-	40,189	40,189
Dividends	-	-	(41,000)	(41,000)
At 31 December 2019	-	4,778	41,361	46,139

	Called up share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total £ 000
At 1 October 2017	-	4,778	35,399	40,177
Profit for the year	-	-	37,273	37,273
Total comprehensive income	-	-	37,273	37,273
Dividends	-	-	(30,500)	(30,500)
At 30 September 2018	-	4,778	42,172	46,950

The notes on pages 14 to 31 form an integral part of these financial statements.

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

1 General information

The Company is a private company limited by share capital, incorporated in the United Kingdom.

The address of its registered office is:

17-29 Hawley Crescent
Camden
London
United Kingdom
NW1 8TT

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention as modified by the recognition of certain financial assets and liabilities at fair value.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 2 & 3. The directors believe that the Company is well placed to manage its business risks successfully.

The directors made enquiries of, and considered the Company's performance against its plans and objectives and satisfied themselves that the Company is performing as expected.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

2 Accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the consolidated financial statements of ViacomCBS Inc. which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to disclose the key management personnel compensation in total as required by FRS 102 paragraph 33.7.

Turnover

All of the Company's turnover arose in the UK and Ireland.

Turnover, which excludes value added tax, represents the invoiced and accrued value of commercial impacts, pay channel subscriptions and consumer product turnover. Advertising turnover is recognised as impacts are delivered. Subscription turnover is recognised based on the negotiated rate per subscriber and the estimated number of subscribers, whereas consumer product turnover is recognised on a standard sales royalty basis.

Foreign currency transactions and balances

Functional and presentational currency

The Company's functional and presentational currency is pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions or the contracted rate if the transaction is covered by a forward exchange contract.

At each year end foreign currency monetary items are translated using the closing rate. Non monetary items measured at historical cost are translated using the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement.

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

2 Accounting policies (continued)

Intangible assets

The intangible assets are comprised of an acquired library of TV programme rights and computer software. The library is capitalised at cost and amortised on a straight-line basis over 10 years. This is considered by management to be the useful economic life of the library based on the programmes within the library.

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life of three years on a straight-line basis.

Where factors such as technological advancement, or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of tangible assets represents the purchase cost together with any incidental costs of acquisition (including interest costs).

Depreciation is provided on all tangible assets to write off the cost of each asset, less any estimated residual value, evenly over its expected useful life, as follows:

Leasehold improvements 10 years

Furniture, fittings and equipment 3 to 10 years

Broadcasting equipment 3 years

The Company reviews its depreciation rates regularly to take account of technological changes, intensity of use over the life of the assets and market requirements.

The residual values and useful lives of the assets are reviewed and adjusted if appropriate at each statement of financial position date.

A tangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

2 Accounting policies (continued)

Stock (TV Programme rights)

Television programme rights are stated at the lower of cost less accumulated amortisation and recoverable amount. Provisions are made for any TV programme rights which are surplus 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 TV programme rights. Acquired TV programme rights and the related liability are recorded at cost when the TV programmes are available for transmission.

Amortisation methods are chosen for original programming assets and those licensed from related parties, to reflect the cash generating ability of the particular asset over its estimated useful life. Original programming assets' estimated useful lives are determined based on the projected flow of economic benefits generated by the programme in relation to the specific demographic targeted by each respective programme. Useful lives are reviewed annually for appropriateness. All series relating to a particular Nickelodeon property are considered to have co-terminus useful lives.

Programming rights acquired from third parties are amortised over the shorter of the license period or the expected useful life. Estimated useful lives are determined based on the projected flow of economic benefits generated by the programme in relation to the specific demographic targeted by each respective programme. Useful lives are reviewed annually for appropriateness.

TV programme payments made in advance of the Company having availability to transmit the related TV programmes are treated as prepayments.

Contractual obligations for TV programme rights not yet available for transmission, and not yet paid for, are not included in the cost of TV programme rights but are disclosed under financial commitments in note 14.

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

2 Accounting policies (continued)

Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including debtors and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement immediately.

If there is a decrease in an impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. Any impairment reversal is recognised in the income statement immediately.

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the value of derivatives are recognised in the income statement in finance costs or income as appropriate.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

2 Accounting policies (continued)

Financial liabilities

Basic financial liabilities, including trade creditors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

Cash and cash equivalents

Cash includes cash on hand and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

2 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed by reference to forecasts, which have been prepared and approved by the Board of Directors.

Deferred tax assets and liabilities are measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax assets and liabilities are not discounted.

Employee benefits

The Company provides a range of benefits to employees, including defined contribution pension plans and holiday pay.

Short-term benefits

Short-term employee benefits such as salaries and compensated absence are recognised as an expense in the period employees render services to the Company. A liability is recognised at each statement of financial position date to the extent that employee holiday allowance has been accrued but not taken, the expense being recognised as staff costs in the income statement.

Pension costs

The Company provides pensions to eligible employees through the Sky Pension Plan, which is a defined contribution plan. The assets of the plan are held independently of the Sky Plc.

The amount charged to the income statement is based on the contributions payable for the period.

Operating Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Company has taken advantage of the exemption under paragraph 35.10(p) of FRS 102 in respect of lease incentives on leases in existence on the date of transition to FRS 102 and continues to credit such lease incentives to the income statement over the period to the first review date on which the rent is adjusted to market rates.

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

2 Accounting policies (continued)

Critical judgements and estimates in applying the accounting policy

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no estimates or assumptions made by the Company that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year (2018: none).

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

3 Operating profit

The operating profit is stated after charging/(crediting):

	For the 15 months ended 31 December 2019	For the 12 months ended 30 September 2018
	£ 000	£ 000
Audit fees payable to the companys' auditors	49	48
Amortisation expense (note 8)	12	23
Depreciation expense (note 9)	38	78
Foreign exchange losses	663	8
Operating lease rental	2,553	2,627
Amortisation of TV programme rights	19,304	15,396
Staff costs (note 5)	<u>6,052</u>	<u>5,810</u>

4 Directors' remuneration

The remuneration of the directors D Lynn, J Borkent and J Currell (resigned 5 June 2019) are paid by ViacomCBS Inc. Group companies, which make no recharge to the Company. Remaining directors are paid by non group companies, which make no recharge to the Company (2018: none).

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	For the 15 months ended 31 December 2019	For the 12 months ended 30 September 2018
	£ 000	£ 000
Wages and salaries	5,188	5,037
Social security costs	569	547
Other pension costs (note 15)	<u>295</u>	<u>226</u>
	<u>6,052</u>	<u>5,810</u>

The average number of persons employed by the company (including directors) during the period, analysed by category was as follows:

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

5 Staff costs (continued)

	For the 15 months ended 31 December 2019	For the 12 months ended 30 September 2018
	No.	No.
Administration	12	16
Marketing	19	20
TV programming	28	29
	<u>59</u>	<u>65</u>

6 Other interest receivable and similar income

	For the 15 months ended 31 December 2019	For the 12 months ended 30 September 2018
	£ 000	£ 000
Bank interest receivable	609	19
Gains on derivative financial instruments	-	22
	<u>609</u>	<u>41</u>

7 Taxation

Tax charged/(credited) in the income statement

	For the 15 months ended 31 December 2019	For the 12 months ended 30 September 2018
	£ 000	£ 000
Current taxation		
UK corporation tax	9,440	8,741
UK corporation tax adjustment to prior periods	-	(3)
	<u>9,440</u>	<u>8,738</u>

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

7 Taxation (continued)

	For the 15 months ended 31 December 2019	For the 12 months ended 30 September 2018
	£ 000	£ 000
Deferred taxation		
Arising from origination and reversal of timing differences	(10)	7
Arising from changes in tax rates and laws	1	(1)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	-	6
Total deferred taxation	(9)	12
Tax expense in the income statement	9,431	8,750

The tax on profit before tax for the period is the same as the standard rate of corporation tax in the UK (2018: the same as the standard rate of corporation tax in the UK) of 19% (2018:19%).

The differences are reconciled below:

	For the 15 months ended 31 December 2019	For the 12 months ended 30 September 2018
	£ 000	£ 000
Profit before tax	49,620	46,023
Corporation tax at standard rate	9,428	8,744
Increase from effect of different UK tax rates on some earnings	1	-
Effect of expense not deductible in determining taxable profit (taxable loss)	2	3
Increase in UK and foreign current tax from adjustment for prior periods	-	3
Total tax charge in the income statement	9,431	8,750

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

7 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

At 31 December 2019

Asset
£ 000

Fixed asset timing differences
Short term timing differences - trading

74
25
98

As at 30 September 2018

Asset
£ 000

Fixed asset timing differences
Short term timing differences - trading

86
3
89

The standard rate of the current tax for the period, based on the UK standard rate of corporation tax is 19.0% (2018: 19%).

8 Intangible assets

	Computer Software £ 000	Total £ 000
Cost or valuation		
At 1 October 2018	<u>35</u>	<u>35</u>
At 31 December 2019	<u>35</u>	<u>35</u>
Amortisation		
At 1 October 2018	23	23
Amortisation charge	<u>12</u>	<u>12</u>
At 31 December 2019	<u>35</u>	<u>35</u>
Carrying amount		
At 31 December 2019	<u>-</u>	<u>-</u>
At 30 September 2018	<u>12</u>	<u>12</u>

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

8 Intangible assets (continued)

During 2017 financial year Acquired Programming Library with a nil NBV was retired. The disclosure error has been corrected resulting in the cost of the intangibles at 1 October 2018 being reduced from £4.7m to nil and the accumulated amortisation from £4.7m to nil.

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

9 Tangible assets

	Leasehold improvements £ 000	Furniture, fittings and equipment £ 000	Broadcasting equipment £ 000	Total £ 000
Cost or valuation				
At 1 October 2018	261	912	404	1,577
At 31 December 2019	261	912	404	1,577
Depreciation				
At 1 October 2018	156	907	404	1,467
Charge for the period	33	5	-	38
At 31 December 2019	189	912	404	1,505
Carrying amount				
At 31 December 2019	72	-	-	72
At 30 September 2018	105	5	-	110

10 Stocks

	As at 31 December 2019 £ 000	As at 30 September 2018 £ 000
TV programme rights	18,190	24,860

11 Debtors

		As at 31 December 2019 £ 000	As at 30 September 2018 £ 000
Trade debtors		1,440	1,821
Amounts owed by group undertakings	18	24,271	11,367
Other debtors		108	27
Prepayments and accrued income		4,712	12,729
Deferred tax assets	7	98	89
		30,629	26,033

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

11 Debtors (continued)

The amounts due from group undertakings are interest free, unsecured and repayable on demand.

12 Creditors

	Note	As at 31 December 2019 £ 000	As at 30 September 2018 £ 000
Amounts falling due within one year			
Trade creditors		2,150	1,179
Amounts owed to group undertakings	18	7,617	4,875
Social security and other taxes		1,437	1,124
Accruals and deferred income		2,431	2,778
Corporation tax	7	1,374	4,471
Other creditors		20	26
Programme creditors		1,051	264
		<u>16,080</u>	<u>14,717</u>

13 Leases

Operating lease commitments

At 31 December 2019 the Company has the following future minimum lease payments under non-cancellable operating leases for each of its following periods:

	As at 31 December 2019 £ 000	As at 30 September 2018 £ 000
Not later than one year	1,549	1,549
Later than one year and not later than five years	2,985	4,848
	<u>4,534</u>	<u>6,397</u>

14 Commitments

Capital and expenditure commitments

Programme inventory

TV programme commitments are payable in either GBP or USD.

The total amount contracted for but not provided in the financial statements was £206k (2018: £604k).

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Notes to the financial statements for the 15 months ended 31 December 2019

15 Pension and other schemes

The Company provides pensions to eligible employees through the Sky Pension Plan, which is a defined contribution plan. The Company's pension cost for the period was £295k (12 months ended 30 September 2018: £226k). Contributions payable to the scheme at 31 December 2019 amount to nil (12 months ended 30 September 2018: nil).

16 Financial instruments

Financial instruments

	As at 31 December 2019 £ 000	As at 30 September 2018 £ 000
Financial assets that are debt instruments measured at amortised cost	23,223	13,212
	<u>23,223</u>	<u>13,212</u>
Financial liabilities measured at amortised cost	11,444	9,122
	<u>11,444</u>	<u>9,122</u>

17 Called up share capital

Allotted called up and fully paid

	For the 15 months ended 31 December 2019		For the 12 months ended 30 September 2018	
	No.	£ 000	No.	£ 000
Ordinary A shares of £0.01 each of £0 each	156	-	156	-
Ordinary B shares of £0.01 each of £0 each	104	-	104	-
	<u>260</u>	<u>-</u>	<u>260</u>	<u>-</u>

156 'A' ordinary shares are held (indirectly) by ViacomCBS Inc. and 104 'B' ordinary shares are held (indirectly) by Sky Plc. There are no restrictions on the distribution of dividends and the repayment of capital.

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

18 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.

The Company has revenue of £21.2m for the 15 months ended 31 December 2019 (12 months ended 30 September 2018: £14.3m) and purchases of £2.9m for the 15 months ended 31 December 2019 (12 months ended 30 September 2018: £3.1m) from subsidiaries of Sky Plc. At 31 December 2019 the outstanding balance payable was £nil (12 months ended 30 September 2018: £0.1m) and there was an outstanding receivables balance of £0.2m (12 months ended 30 September 2018: £0.1m).

Services provided by the ViacomCBS Inc. Group of companies include acting as the selling agent for airtime and consumer product revenues with a value of £54.4m for the 15 months ended 31 December 2019 (12 months ended 30 September 2018: £56.4m) and the Company paid commissions of £6.2m for the 15 months ended 31 December 2019 (12 months ended 30 September 2018: £5.5m) on those revenues.

The Company also paid ViacomCBS Inc. Group companies £5.6m for the 15 months ended 31 December 2019 (12 months ended 30 September 2018: £4.7m) for other services including office and transponder rents. At 31 December 2019, the outstanding balance payable was £2.4m (12 months ended 30 September 2018: £1.3m) and the outstanding receivables balance was £22.3m (12 months ended 30 September 2018: £11.2m).

19 Parent and ultimate parent undertaking

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

ViacomCBS Inc. is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of ViacomCBS Inc. are available from 1515 Broadway, New York, NY 10036, United States of America.

On 4 December 2019, Viacom Inc., the ultimate parent company of Nickelodeon U.K merged with CBS Corporation. The Company does not expect any financial impact as a result of this merger. The merger resulted in a change in the Company's fiscal year end from 30 September 2019 to 31 December 2019 to align with the year end of the ultimate parent company. Accordingly, the figures for the income statements, statements of changes in equity and the related notes for the fiscal year end are for a 15 month period and the comparatives are for 12 months from 1 October 2017 to 30 September 2018.

Nickelodeon U.K. Limited

Notes to the financial statements for the 15 months ended 31 December 2019

20 Non adjusting events after the financial period

Subsequent to the financial statement date, global concerns about the coronavirus disease 2019 ("COVID-19") have impacted the global macroeconomic environment, as well as ViacomCBS Inc. business. The impact of COVID-19 on the Company's businesses, including the postponement, cancellation or rescheduling of televised events for which the Company had broadcast rights, and production delays in television and entertainment programming, could be material to the Company's operating results, cash flows and financial position. The magnitude of the impacts will depend on the duration and extent of the COVID-19 pandemic and the impact of local governmental actions and consumer behaviour in response to the pandemic. Due to the evolving and uncertain nature of this situation, we are not able to estimate the full extent of the negative impact on the Company's operating results, cash flows and financial position, including advertising, affiliate and content licensing revenues, particularly over the near to medium term.

As of 16 October 2020, the Company's financial results for the period ending 31 December 2019 have not been significantly impacted by the COVID-19. Management currently believes that it has adequate liquidity and business plans to continue to operate the business and mitigate the risks associated with COVID-19 for the next 12 months from the date of this report.