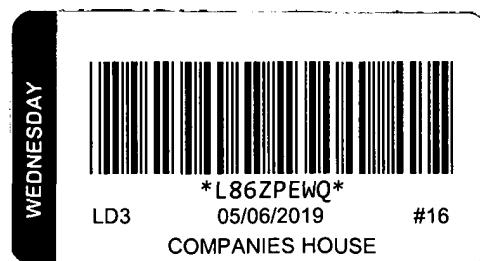


Registration number: 2797365

# Nickelodeon U.K. Limited

Annual Report and financial statements

for the year ended 30 September 2018



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

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

### **Company information**

<b>Directors</b>	Mr J.R. Currell Mr D.G. Lynn M Winterbottom J Borkent C Cooper
<b>Company secretary</b>	Fieldfisher Secretaries Limited
<b>Registered office</b>	17-29 Hawley Crescent Camden London United Kingdom NW1 8TT
<b>Bankers</b>	JPMorgan Chase Bank 1 Chaseside Bournemouth United Kingdom BH7 7DA
<b>Auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London United Kingdom WC2N 6RH

## Nickelodeon U.K. Limited

### Strategic report for the year ended 30 September 2018

The directors present their strategic report for the year ended 30 September 2018.

#### 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.

#### Fair review of the business

Turnover for the year amounted to £98.9m (2017: £96.5m). See page 9 of the financial statements. The Company has net assets of £46.7m (2017: £40.2m). See page 10 of the financial statements.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2018	2017
Turnover	£	98,985	96,511
Operating profit	£	45,982	41,576
Operating profit margin %	%	46	43
Share of children's viewing in cable & satellite homes	%	8	9

#### 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.

##### 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.

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

### **Strategic report for the year ended 30 September 2018**

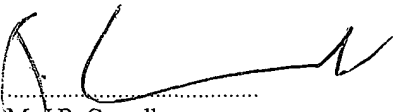
#### Liquidity risk

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 30 May 2019 and signed on its behalf by:

  
.....  
Mr J.R. Currell  
Director

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

### **Directors report for the year ended 30 September 2018**

The directors present their report and the financial statements for the year ended 30 September 2018.

#### **Results and dividends**

The profit for the financial year ended 30 September 2018 was £37.2 m (2017: £33.5 m).

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.

The following dividends were paid in 2017:

- A dividend of £48,077 per ordinary share amounting to £12.5m was paid in December 2016.
- A dividend of £30,769 per ordinary share amounting to £8m was paid in March 2017.
- A dividend of £26,923 per ordinary share amounting to £7m was paid in July 2017.
- A dividend of £13,462 per ordinary share amounting to £3.5m was paid in September 2017.

#### **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 year are set out on page 1.

#### **Directors' liabilities**

As permitted by the Articles of Association the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and officers' liability insurance in respect of itself and its Directors.

#### **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 result for the year and the position at the end of the year are satisfactory.

#### **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.

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

### **Statement of directors' responsibilities**

The directors acknowledge their responsibilities 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). 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:

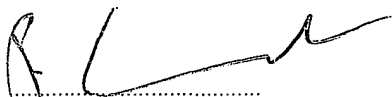
- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 30 May 2019 and signed on its behalf by:

  
.....  
Mr J.R. Currell  
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 30 September 2018 and of its profit for the year 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 30 September 2018; the Statement of comprehensive income, the Statement of changes in equity for the year 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**

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

#### **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.



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

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

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.

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 year ended 30 September 2018 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 5, 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](http://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**

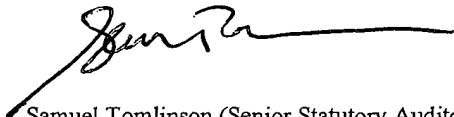
#### **Other required reporting**

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  
31 May 2019

# **Nickelodeon U.K. Limited**

## **Statement of comprehensive income for the year ended 30 September 2018**

	Note	2018 £ 000	2017 £ 000
Turnover		98,985	96,511
Cost of sales		<u>(45,535)</u>	<u>(48,585)</u>
Gross profit		53,450	47,926
Administrative expenses		<u>(7,468)</u>	<u>(6,350)</u>
Operating profit	3	45,982	41,576
Other interest receivable and similar income	6	<u>41</u>	<u>14</u>
Profit before tax		46,023	41,590
Taxation	7	<u>(8,750)</u>	<u>(8,110)</u>
Profit for the financial year		<u><u>37,273</u></u>	<u><u>33,480</u></u>

The above results were derived from continuing operations.

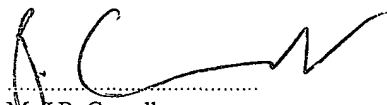
The company has no recognised gains or losses for the year other than the results above.

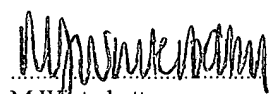
# Nickelodeon U.K. Limited

## Statement financial position as at 30 September 2018

	Note	2018 £ 000	2017 £ 000
<b>Fixed assets</b>			
Intangible assets	8	12	15
Tangible assets	9	110	186
		<u>122</u>	<u>201</u>
<b>Current assets</b>			
Stock	10	24,860	25,982
Debtors	11	26,033	32,279
Cash at bank and in hand		10,652	9,616
		<u>61,545</u>	<u>67,877</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(14,717)</u>	<u>(27,901)</u>
<b>Net current assets</b>		<u>46,828</u>	<u>39,976</u>
<b>Net assets</b>		<u>46,950</u>	<u>40,177</u>
<b>Capital and reserves</b>			
Called up share capital	17	-	-
Share premium account		4,778	4,778
Retained earnings		<u>42,172</u>	<u>35,399</u>
<b>Total equity</b>		<u>46,950</u>	<u>40,177</u>

Approved and authorised by the Board on 30 May 2019 and signed on its behalf by:

  
 Mr J.R. Currell  
 Director

  
 M Winterbottom  
 Director

# **Nickelodeon U.K. Limited**

## **Statement of changes in equity for the year ended 30 September 2018**

	<b>Share premium account £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
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

	<b>Share premium account £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
At 1 October 2016	4,778	32,919	37,697
Profit for the year	-	33,480	33,480
Total comprehensive income	-	33,480	33,480
Dividends	-	(31,000)	(31,000)
At 30 September 2017	4,778	35,399	40,177

The notes on pages 12 to 26 form an integral part of these financial statements.

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

### **Notes to the financial statements for the year ended 30 September 2018**

#### **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  
United Kingdom

#### **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 years 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 year ended 30 September 2018**

#### **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 Viacom 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 year ended 30 September 2018**

#### **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

Equipment, fixtures & fittings 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 statement of comprehensive income in the year the item is derecognised.



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

### **Notes to the financial statements for the year ended 30 September 2018**

#### **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 year ended 30 September 2018

#### 2 Accounting policies (continued)

##### 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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.

###### 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.

## Nickelodeon U.K. Limited

### Notes to the financial statements for the year ended 30 September 2018

#### 2 Accounting policies (continued)

##### 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 year 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 year 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.

##### 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 year 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.

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

### **Notes to the financial statements for the year ended 30 September 2018**

#### **2 Accounting policies (continued)**

##### **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 year 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 statement of comprehensive income.

##### **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 statement of comprehensive income is based on the contributions payable for the year.

##### **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 statement of comprehensive income on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the statement of comprehensive income, 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 statement of comprehensive income over the period to the first review date on which the rent is adjusted to market rates.

##### **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 (2017: none).

## Nickelodeon U.K. Limited

### Notes to the financial statements for the year ended 30 September 2018

#### 3 Operating profit

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

	2018	2017
	£ 000	£ 000
Audit fees payable to the Company's auditor	48	48
Amortisation expense	23	20
Depreciation expense	78	165
Foreign exchange losses	8	115
Operating Lease Rentals	2,627	2,264
Amortisation of TV programme rights	15,396	17,144
Staff Costs	<u>5,810</u>	<u>5,452</u>

#### 4 Directors' remuneration

The remuneration of the directors D Lynn, J Currell and J Borkent are paid by Viacom group companies, which make no recharge to the Company. Remaining directors are paid by non group companies, which make no recharge to the Company (2017: none). Accordingly, the details below include no remuneration in respect of the directors.

#### 5 Staff costs

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

	2018	2017
	£ 000	£ 000
Wages and salaries	5,037	4,738
Social security costs	547	509
Other pension costs (note 15)	<u>226</u>	<u>205</u>
	<u>5,810</u>	<u>5,452</u>

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

	2018	2017
	No.	No.
Administration	16	18
Marketing	20	18
TV programming	<u>29</u>	<u>29</u>
	<u>65</u>	<u>65</u>

## Nickelodeon U.K. Limited

### Notes to the financial statements for the year ended 30 September 2018

#### 6 Other interest receivable and similar income

	2018 £ 000	2017 £ 000
Bank interest receivable	19	9
Gains on derivative financial instruments	22	5
	<u>41</u>	<u>14</u>

#### 7 Taxation

Tax charged/(credited) in the income statement

	2018 £ 000	2017 £ 000
<b>Current taxation</b>		
UK corporation tax	8,741	8,113
UK corporation tax adjustment to prior periods	(3)	-
	<u>8,738</u>	<u>8,113</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	7	(3)
Arising from changes in tax rates and laws	(1)	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	6	-
Total deferred taxation	<u>12</u>	<u>(3)</u>
Tax expense in the income statement	<u>8,750</u>	<u>8,110</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19% (2017 - 19.5%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
Profit before tax	<u>46,023</u>	<u>41,590</u>
Corporation tax at standard rate	8,744	8,110
Effect of expense not deductible in determining taxable profit (tax loss)	3	-
Increase in UK and foreign current tax from adjustment for prior periods	<u>3</u>	<u>-</u>
Total tax charge	<u>8,750</u>	<u>8,110</u>

## Nickelodeon U.K. Limited

### Notes to the financial statements for the year ended 30 September 2018

#### 7 Taxation (continued)

##### Deferred tax

Deferred tax assets and liabilities

	Asset £ 000
<b>2018</b>	
Fixed asset timing differences	86
Short term timing differences - trading	<u>3</u>
	<u>89</u>
<b>2017</b>	Asset £ 000
Fixed asset timing differences	99
Short term timing differences - trading	<u>3</u>
	<u>102</u>

The standard rate of the current tax for the year, based on the UK standard rate of corporation tax is 19.0% (2017: 19.5%). Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 March 2017. These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. The 17% rate change was subsequently enacted 8 March 2017 and the effects of these changes at the statement of financial position date are now included in the financial statements.

# Nickelodeon U.K. Limited

## Notes to the financial statements for the year ended 30 September 2018

### 8 Intangible assets

	Computer Software £ 000	Acquired programme library £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 October 2017	35	4,778	4,813
At 30 September 2018	35	4,778	4,813
<b>Amortisation</b>			
At 1 October 2017	-	4,778	4,778
Amortisation charge	23	-	23
At 30 September 2018	23	4,778	4,801
<b>Carrying amount</b>			
At 30 September 2018	12	-	12
At 30 September 2017	15	-	15

### 9 Tangible assets

	Leasehold improvements £ 000	Furniture, fittings and equipment £ 000	Broadcasting equipment £ 000	Total £ 000
<b>Cost or valuation</b>				
At 1 October 2017	261	910	404	1,575
Additions	-	2	-	2
At 30 September 2018	261	912	404	1,577
<b>Depreciation</b>				
At 1 October 2017	129	856	404	1,389
Charge for the year	27	51	-	78
At 30 September 2018	156	907	404	1,467
<b>Carrying amount</b>				
At 30 September 2018	105	5	-	110
At 30 September 2017	132	54	-	186



## Nickelodeon U.K. Limited

### Notes to the financial statements for the year ended 30 September 2018

#### 10 Stocks

	2018 £ 000	2017 £ 000
TV programme rights	<u>24,860</u>	<u>25,982</u>

#### 11 Debtors

	Note	2018 £ 000	2017 £ 000
Trade debtors		1,821	3,001
Amounts owed by group undertakings	18	11,367	20,505
Other debtors	✓	27	347
Prepayments		12,729	8,324
Deferred tax assets	7	<u>89</u>	<u>102</u>
		<u>26,033</u>	<u>32,279</u>

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

#### 12 Creditors

	Note	2018 £ 000	2017 £ 000
<b>Due within one year</b>			
Trade creditors		1,179	751
Amounts due to related parties	18	4,875	18,170
Social security and other taxes		1,124	1,342
Accruals and Deferred Income		2,778	3,313
Corporation Tax	7	4,471	3,971
Other Creditors		26	10
Programme creditors		264	289
Derivative financial instruments		<u>-</u>	<u>55</u>
		<u>14,717</u>	<u>27,901</u>

The amounts owed to group undertakings are interest free, unsecured and repayable on demand.

## Nickelodeon U.K. Limited

### Notes to the financial statements for the year ended 30 September 2018

#### 13 Leases

##### Operating lease commitments

At 30 September 2018 the Company has the following future minimum lease payments under non-cancellable operating leases for each of its following periods:

	2018 £ 000	2017 £ 000
Not later than one year	1,549	1,014
Later than one year and not later than five years	4,848	1,514
	<u>6,397</u>	<u>2,528</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 £604,000 (2017: £104,000).

#### 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 year was £226K (2017: £205K). Contributions payable to the scheme at 30 September 2018 amount to nil (2017: nil).

#### 16 Financial instruments

##### Categorisation of financial instruments

	2018 £ 000	2017 £ 000
Financial assets that are debt instruments measured at amortised cost	13,212	23,853
	<u>13,212</u>	<u>23,853</u>
Financial liabilities measured at fair value through profit or loss	-	55
Financial liabilities measured at amortised cost	9,122	22,533
	<u>9,122</u>	<u>22,588</u>

## Nickelodeon U.K. Limited

### Notes to the financial statements for the year ended 30 September 2018

#### 16 Financial instruments (continued)

##### Derivatives

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 30 September 2018, the outstanding contracts all mature within 6 months of the year end. The Company is committed to buy \$1m and pay a fixed sterling amount.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP: USD.

#### 17 Called up share capital

##### Alloted called up and fully paid

	2018		2017	
	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 Viacom 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.

#### 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 £14.3m (2017: £17.2m) and purchases of £3.1m (2017: £0.7m) from subsidiaries of Sky Plc. At 30 September 2018 the outstanding balance payable was £0.1m (2017: £nil) and there was an outstanding receivables balance of £0.1m (2017: £1.6m).

Services provided by the Viacom group of companies include acting as the selling agent for airtime and consumer product revenues with a value of £56.4m (2017: £55.6m) and the Company paid commissions of £5.5m (2017: £5.9m) on those revenues. The Company also paid Viacom group companies £4.7m (2017: £4.5m) for other services including office and transponder rents. At 30 September 2018, the outstanding balance payable was £1.3m (2017: £9.4m) and the outstanding receivables balance was £11.2m (2017: £20.3m).

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

### **Notes to the financial statements for the year ended 30 September 2018**

#### **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.

The parent company that heads up the largest and smallest groups of undertakings for which consolidated statements are prepared is Viacom Inc. Copies of Viacom's Inc.'s consolidated financial statements can be obtained from the company secretary at 1515 Broadway, New York, NY 10036, USA.