

Nickelodeon UK

(Registered Number 2797365)

Directors' Report And Financial Statements For The Year Ended 30 June 2001



Nickelodeon UK

Annual Report For The Year Ended 30 June 2001

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Nickelodeon UK

Directors' Report

The directors present their annual report and the audited financial statements of the company for the year ended 30 June 2001.

Principal Activities And Business Review

The principal activities of the company continue to be the broadcasting of children's television, together with related activities. The directors expect the general level of activity to increase in the future as the company continues to expand.

Results And Dividends

The company made a profit after taxation in the year of £2,316,000 (2000: £3,045,000).

The directors do not recommend the payment of a dividend (2000 - £nil).

Shareholders

Nickelodeon UK is an unlimited company jointly owned by Nickelodeon Huggings UK Limited (a wholly owned subsidiary of Viacom Inc) and Kidsprog UK Limited (a wholly owned subsidiary of British Sky Broadcasting Group plc).

Directors And Their Interests

The directors who served during the year are as shown below.

Directors appointed by Kidsprog UK Limited:

KW Kinsella	(alternate director to PA Shea; resigned 12 April 2001)
PA Shea	(resigned 12 April 2001)
R Freudenstein	
M Imi	
M Goswami	(appointed 12 April 2001)
C Stylianou	(alternate director to M Goswami; appointed 12 April 2001)

Directors appointed by Nickelodeon Huggings UK Limited:

JD Dunn	
WH Scannell	(resigned 12 April 2001)
K Flischel	(resigned 12 April 2001)
M Bakker	(appointed 12 April 2001)
B Hansen	(appointed 12 April 2001)

None of the directors who served during the year had any interest in the shares of the company.

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Directors' Report (Continued)

Statement Of Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period. In preparing those accounts the directors are required:

- to select suitable accounting policies and then apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- to 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 proper accounting records which disclose the reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

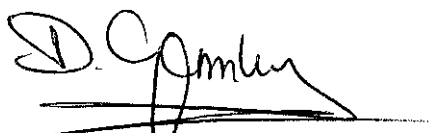
Payment Policy

The policy of the company is to agree terms of payment with suppliers prior to entering into a contractual relationship. In the absence of a specific agreement it is the policy of the company to pay suppliers on a monthly basis. Creditor days at 30 June 2001 were 33 days (2000 – 25 days).

Auditors

Arthur Andersen resigned as auditors on 29 August 2001 and PricewaterhouseCoopers were appointed in their place.

By Order Of The Board



DJ Gormley
Secretary

19 October 2001

Auditors' Report To The Members Of Nickelodeon UK

We have audited the financial statements on pages 4 to 15.

Respective Responsibilities Of Directors And Auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis Of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2001 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

1 Embankment Place

London

WC2N 6RH

19 October 2001

Nickelodeon UK

Profit and Loss Account For The Year Ended 30 June 2001

	Note	2001 £'000	2000 £'000
Turnover	1,2	29,646	26,018
Operating expenses	3	(27,268)	(22,727)
Operating Profit		2,378	3,291
Interest receivable		124	143
Interest payable and similar charges	4	(186)	(389)
Profit On Ordinary Activities Before Taxation	5	2,316	3,045
Tax on profit on ordinary activities	7	-	-
Profit For The Financial Year		2,316	3,045
Accumulated deficit brought forward		(6,231)	(9,276)
Accumulated Deficit Carried Forward		(3,915)	(6,231)

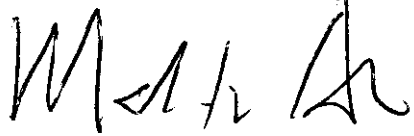
There are no recognised gains or losses other than the profit for each year.

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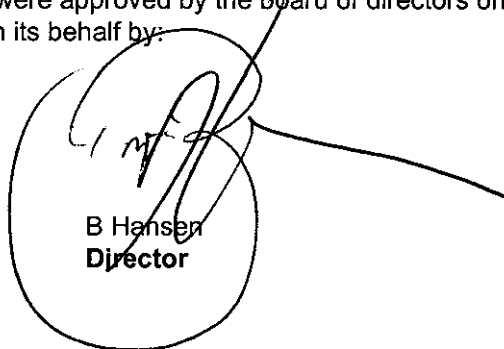
Balance Sheet As At 30 June 2001

	Note	2001 £'000	2000 (restated – notes 10,11) £'000
Fixed Assets			
Tangible assets	8	2,353	2,474
Current Assets			
Stocks	9	11,403	8,749
Debtors	10	6,782	7,491
Cash at bank and in hand		3,283	476
Creditors: Amounts falling due within one year	11	(14,333)	(11,316)
Net current assets		7,135	5,400
Total assets less current liabilities		9,488	7,874
Creditors: Amounts falling due after more than one year	12	(2,349)	(3,051)
Net Assets		7,139	4,823
Capital And Reserves			
Called up share capital	13	-	-
Share premium	14	11,054	11,054
Profit and loss account	14	(3,915)	(6,231)
Equity Shareholders' Funds	14	7,139	4,823

The financial statements on pages 4 to 15 were approved by the board of directors on 19 October 2001 and were signed on its behalf by:



M Imi
Director



B Hansen
Director

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Cash Flow Statement For The Year Ended 30 June 2001

	<i>Note</i>	2001 £'000	2000 £'000
Net cash inflow from operating activities	16	4,546	3,998
Returns on investments and servicing of finance			
Interest received		124	143
Interest paid and similar charges		(186)	(389)
Net cash outflow from returns on investments and servicing of finance		(62)	(246)
Taxation			
UK corporation tax paid/(received)		-	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(677)	(1,336)
Net cash outflow from capital expenditure and financial investment		(677)	(1,336)
Financing			
Repayment of loans to shareholders		(1,000)	(3,000)
Net cash outflow from financing		(1,000)	(3,000)
Increase/(decrease) in cash	17, 18	2,807	(584)

The notes on pages 7 to 15 form an integral part of these financial statements.

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Notes To The Financial Statements For The Year Ended 30 June 2001

1 Principal Accounting Policies

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

(a) Basis Of Accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Fixed Assets

Fixed assets are shown at cost less accumulated depreciation.

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

(c) Stocks

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

Programme rights are amortised over one of two bases: the usage basis, which amortises the programme cost over the allowed number of plays, and the time basis, which amortises the programme cost over the period of the licence, not exceeding a period of five years. Where unlimited plays are available, the time basis is used. Where there are a limited number of plays available, the higher of the time basis and the usage basis is used. Programme costs for own productions are amortised on a straight-line basis over a period not exceeding three years.

Contractual obligations for programme rights not yet available for transmission are not included in the cost of television programme rights but are disclosed under financial commitments contracted for, in note 15.

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

(d) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred taxation is provided using the liability method at the rates ruling at the year end. Net deferred tax assets resulting from tax losses and other timing differences are not recognised except to the extent that it is assured beyond reasonable doubt that future taxable profits will be sufficient to recover them. Any deferred tax assets not recognised in the year that they arise are subsequently only recognised as they are realised.

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Notes To The Financial Statements For The Year Ended 30 June 2001

(Continued)

1 Principal Accounting Policies (Continued)

(e) Foreign currency

Transactions denominated in foreign currencies are recorded in sterling at actual exchange rates as of the date of the transaction, or at the contracted rate if the transaction is covered by a forward exchange contract or other hedging instruments. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date, or if hedged, at the appropriate hedged rate.

(f) Pension costs

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

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

(g) Leases

The rental costs arising from operating leases are charged to the profit and loss account in the year in which they are incurred.

(h) Turnover

Turnover, which excludes value added tax, represents the invoiced value of advertising, pay channel subscriptions and other revenues.

2 Segmental Information

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

3 Operating Expenses

	2001 £'000	2000 £'000
Cost of Sales	19,551	16,470
Administrative expenses	7,717	6,257
	<hr/> 27,268	<hr/> 22,727

Nickelodeon UK

Notes To The Financial Statements For The Year Ended 30 June 2001

(Continued)

4 Interest Payable And Similar Charges

	2001 £'000	2000 £'000
Shareholder loan interest	186	389

5 Profit On Ordinary Activities Before Taxation

Profit on ordinary activities before taxation is stated after charging:

	2001 £'000	2000 £'000
Depreciation of tangible fixed assets	1,096	911
Foreign currency losses	662	163
Operating lease rentals		
- plant and machinery	2,059	1,938
- exit payment for analogue transponder	1,762	-
- other	448	240
Auditors' remuneration – audit fees	23	28

6 Staff Costs

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

	2001 £'000	2000 £'000
Wages and salaries	3,296	2,992
Social security costs	347	309
Other pension costs	129	109
	3,772	3,410

None of the directors received any remuneration in respect of their qualifying services to the company in the year (2000 - £nil).

The average monthly number of persons employed by the company during the year was as follows:

	2001 Number	2000 Number
Programming	39	42
Technical	29	27
Marketing	13	13
Administration	28	24
	109	106

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Notes To The Financial Statements For The Year Ended 30 June 2001

(Continued)

7 Taxation

There is no corporation tax charge in the year (2000 - £nil) as the company has sufficient brought forward tax losses.

8 Tangible Fixed Assets

	Leasehold improvements £'000	Equipment, fixtures and fittings £'000	Total £'000
Cost			
At 1 July 2000	1,086	6,882	7,968
Additions	262	721	983
Transfers	141	(141)	-
Disposals	-	(181)	(181)
At 30 June 2001	1,489	7,281	8,770
Depreciation			
At 1 July 2000	590	4,904	5,494
Charge for the year	211	885	1,096
Disposals	-	(173)	(173)
At 30 June 2001	801	5,616	6,417
Net book value			
At 30 June 2001	688	1,665	2,353
At 30 June 2000	496	1,978	2,474

9 Stocks

	2001 £'000	2000 £'000
Acquired television programme rights	8,996	6,773
Own productions	2,348	1,929
Other stock	59	47
	11,403	8,749

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Notes To The Financial Statements For The Year Ended 30 June 2001

(Continued)

10 Debtors: Amounts Falling Due Within One Year

	2001	2000 (restated)
	£'000	£'000
Trade debtors	1,496	1,077
Amounts due from shareholder group companies	1,355	3,221
Other debtors	9	27
Prepayments and accrued income	3,922	3,166
	6,782	7,491

Balances in respect of the prior year relating to amounts due to/from shareholder group companies have been restated to present these balances gross, being the presentation adopted in the current year.

11 Creditors: Amounts Falling Due Within One Year

	2001	2000 (restated)
	£'000	£'000
Trade creditors	37	279
Programme creditors	1,980	3,068
Amounts due to shareholder group companies	6,105	2,327
VAT	345	137
Taxation and social security	382	579
Other creditors	186	192
Accruals and deferred income	5,298	4,734
	14,333	11,316

Balances in respect of the prior year relating to amounts due to/from shareholder group companies have been restated to present these balances gross, being the presentation adopted in the current year.

12 Creditors: Amounts Falling Due After More Than One Year

	2001	2000
	£'000	£'000
Shareholder loans	2,051	3,051
Programme creditors	298	-
	2,349	3,051

Interest on shareholder loans due after more than one year accrues at a rate of 1.5% above LIBOR.

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Notes To The Financial Statements For The Year Ended 30 June 2001

(Continued)

13 Called Up Share Capital

	2001 £	2000 £
Authorised		
1,000,000 A ordinary shares of 1p each	10,000	10,000
1,000,000 B ordinary shares of 1p each	10,000	10,000
	20,000	20,000
	2001 £	2000 £
Allotted, called up and fully paid		
104 A ordinary shares of 1p each	1	1
104 B ordinary shares of 1p each	1	1
	2	2

A ordinary shares are held (indirectly) by Viacom Inc. B ordinary shares are held (indirectly) by British Sky Broadcasting Group plc.

14 Reconciliation Of Movements In Reserves And Equity Shareholders' Funds

	Share Capital £'000	Share premium account £'000	Profit and Loss account £'000	Equity Shareholders' funds £'000
At 1 July 2000	-	11,054	(6,231)	4,823
Profit for the year	-	-	2,316	2,316
At 30 June 2001	-	11,054	(3,915)	7,139

15 Guarantees And Other Financial Commitments

(a) Programme right commitments

	2001 £'000	2000 £'000
Programme right commitments are as follows:		
Contracted, but not provided for	2,942	3,180

The commitments are payable in US dollars and are for periods up to December 2007. At 30 June 2001, the US dollar amounts have been translated at the year end exchange rate of \$1.4077 (2000 - \$1.5181: £1).

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Notes To The Financial Statements For The Year Ended 30 June 2001

(Continued)

15 Guarantees And Other Financial Commitments (Continued)

(b) Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001		2000	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire				
- within 2-5 years	-	340	-	1,911
- after 5 years	485	305	485	310
	485	645	485	2,221

(c) Forward currency contracts

The company has entered into a number of forward exchange contracts to buy U.S. dollars to hedge the effect of exchange rate fluctuations on future U.S. dollar programme right payments in 2001 and 2002.

At 30 June 2001, the forward exchange commitments amounted to \$10,162,000 (2000: £nil) equivalent to £7,219,000 (2000: £nil) at the contract rates.

16 Reconciliation Of Operating Profit To Net Cash Inflow From Operating Activities

	2001	2000 (restated)
	£'000	£'000
Operating profit	2,378	3,291
Depreciation charge	1,096	911
Amortisation of programme rights	7,728	6,492
(Increase) in stocks	(10,382)	(7,733)
Decrease/(increase) in debtors	709	(797)
Increase in creditors due within one year	3,017	1,834
Net cash inflow from operating activities	4,546	3,998

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Notes To The Financial Statements For The Year Ended 30 June 2001

(Continued)

17 Analysis Of Net (Debt)/Funds

	1 July 2000 £'000	Cashflow £'000	30 June 2001 £'000
Cash at bank and in hand	476	2,807	3,283
Shareholder loans	(3,051)	1,000	(2,051)
Net (Debt)/Funds	(2,575)	3,807	1,232

18 Reconciliation Of Net Cash Flow To Movement in Net (Debt)/Funds

	2001 £'000	2000 £'000
Increase/(decrease) in cash in the year	2,807	(584)
Repayment of shareholder loans	1,000	3,000
Movement in net funds/(debt) in the year	3,807	2,416
Net debt at beginning of year	(2,575)	(4,991)
Net funds/(debt) at end of year	1,232	(2,575)

19 Related Party Transactions

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

Services provided by the BSkyB Group of companies include acting as the selling agent (for the period 1 July 2000 to 31 December 2001) for airtime with a value of £4,918,000 (2000 - £9,300,000) and providing promotional services for a cost of £343,000 (2000 - £420,000). The company also received revenue of £13,357,000 (2000 - £10,334,000) in respect of direct to home subscriptions. The company paid £340,000 for leasing a digital transponder (2000: £275,000), £141,000 (2000 - £157,000) for the provision of administrative services and £696,000 (2000 - £1,322,000) for the provision of marketing services, including sales commissions, by the BSkyB Group. At 30 June 2001, the outstanding payables balance was £618,000 (2000: £380,000), and there was no outstanding receivables balance (2000: £1,165,000).

Services provided by the Viacom group of companies include: acting as the selling agent from 1 January 2001 for airtime with a value of £4,142,000; leasing an analogue transponder at a cost of £3,207,000 (2000 - £1,612,000) and a digital transponder at a cost of £225,000 plus uplink, maintenance and compression costs of £80,000 (2000 - £408,000). The company also paid the Viacom group £336,000 (2000 - £354,000) as a trademark licence fee, and £563,000 (2000 - £nil) for the provision of marketing services, including sales commissions. At 30 June 2001, the outstanding payables balance was £385,000 (2000: £332,000), and the outstanding receivables balance was £1,071,000 (2000: £52,000).

Nickelodeon UK

Notes To The Financial Statements For The Year Ended 30 June 2001

(Continued)

19 Related Party Transactions (Continued)

During the year, the company entered into new contracts for programming from the Viacom group of companies at a cost of \$4,951,000 (2000 - \$3,279,000). At 30 June 2001, the outstanding payables balance was £5,102,000 (2000: £1,615,000)

The company shared certain management, technical and administrative services with the Paramount Channel, a fellow group company ultimately owned by BSkyB and Viacom. In 2001 a total of £1,768,000 (2000 - £1,040,000) was recharged to the Paramount Channel. The company also received £137,000 (2000 - £280,000) from the Paramount Channel for the use of the company's fixed assets and other facilities. This latter amount is included within turnover. At 30 June 2001, the outstanding receivables balance was £284,000 (2000: £2,004,000).