

Nickelodeon International Limited

(Registered No: 3231743)

**Annual Report and Financial Statements
for the year ended 31 December 2002**



RID	*R073100N*	0288
COMPANIES HOUSE		28/12/04
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COMPANIES HOUSE		28/02/04

Nickelodeon International Limited

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

Principal activity, review of the business and future developments

The principal activity of the company is the management and broadcasting of television services. Turnover has decreased by 45% over 2002 due to the expiration of agreements with Scandinavian broadcasters for the carriage of Nickelodeon programming. The company will continue to provide these services for the foreseeable future.

Results and dividends

The profit for the year ended 31 December 2002 was £1,088,831 (2001 restated: £895,975). The directors do not propose to pay a dividend (2001: £nil).

Directors

The directors listed below held office during the whole of the period from 1 January 2002 to the date of this report.

T Ellis
I G Wallace

Directors' interests

No director had any beneficial interests in the shares of the company, or of any company in the Viacom Inc. group, during the year.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 that period. The directors are required 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 confirm that suitable accounting policies have been used and applied consistently, with the exception of changes arising on the adoption of a new accounting standard in the year, explained on page 6 under Note 1, 'Basis of Accounting'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Nickelodeon International Limited

Directors' report for the year ended 31 December 2002 (Continued)

Auditors

Following the conversion of our auditors PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 13 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By order of the board



I G Wallace
Director

18/2/04

18 February 2004

Nickelodeon International Limited

Independent auditors' report to the members of Nickelodeon International Limited

We have audited the financial statements, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

18 February 2004

Nickelodeon International Limited

Profit and loss account for the year ended 31 December 2002

	<i>Notes</i>	2002 £	2001 (restated) £
Turnover	2	3,573,886	6,509,754
<u>Cost of sales</u>		<u>(1,868,483)</u>	<u>(3,857,845)</u>
Gross profit		1,705,403	2,651,909
<u>Administrative expenses</u>		<u>(691,880)</u>	<u>(1,560,669)</u>
Operating profit	3	1,013,523	1,091,240
Interest receivable and similar income	6	82,461	8,662
<u>Interest payable and similar charges</u>	7	<u>-</u>	<u>(27,108)</u>
Profit on ordinary activities before taxation		1,095,984	1,072,794
<u>Tax on profit on ordinary activities</u>	8	<u>(7,153)</u>	<u>(176,819)</u>
Retained profit for the financial year	15	1,088,831	895,975

There is no difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis.

Turnover, administrative expenses and profit on ordinary activities before taxation for the year relate exclusively to continuing operations.

Statement of total recognised gains and losses for the year ended 31 December 2002

	2002 £	2001 (restated) £
<u>Retained profit for the year</u>	<u>1,088,831</u>	<u>895,975</u>
<u>Total recognised gains and losses for the year</u>	<u>1,088,831</u>	<u>895,975</u>
<u>Prior period adjustment – FRS 19 (note 9)</u>	<u>18,994</u>	
Total gains and losses recognised since last annual report	1,107,825	

The notes on pages 6 to 13 form part of these financial statements

Nickelodeon International Limited

Balance sheet as at 31 December 2002

	Notes	2002 £	2001 (Restated) £
Fixed assets			
Tangible assets	10	174,298	117,133
Current assets			
Debtors	11	3,235,828	5,041,131
Deferred programming costs	12	2,188,765	1,437,925
Cash at bank and in hand		900,975	82,581
		6,325,568	6,561,637
Creditors: amounts falling due within one year	13	(5,034,203)	(6,301,938)
Net current assets		1,291,365	259,699
Total assets less current liabilities		1,465,663	376,832
Net assets		1,465,663	376,832
Capital and reserves			
Share capital	16	1	1
Profit and loss account	15	1,465,662	376,831
Equity shareholders' funds	14	1,465,663	376,832

The financial statements on pages 4 to 13 were approved by the board of directors on 18 February 2004 and were signed on its behalf by:


I G Wallace
Director

18/2/04

The notes on pages 6 to 13 form part of these financial statements

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies

a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies of the company are set out below. The company adopted FRS 19 "Deferred Tax" during the year and the comparative figures have been restated accordingly.

The effect of the change in accounting policy to adopt FRS 19 was to increase the tax charge on profits on ordinary activities in 2002 by £7,153 (2001: decrease the tax charge by £176,819) and to decrease the profit for the financial year by £7,153 (2001: increase profit for the year by £176,819).

b) Cash flow statement and related party transactions

The company is a wholly owned subsidiary of Viacom Inc. and is included in the consolidated financial statements of Viacom Inc., which are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996). The company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the Viacom Inc. group or investees of the Viacom Inc. group.

c) Depreciation

Depreciation has been provided on a straight line basis to write off the cost of depreciable fixed assets over their estimated useful lives. The rates used are:

Leasehold improvements	17 years
Computer and video equipment	4 years
Office equipment	4 years
Furniture & fittings	4 years

d) Amortisation

Programming expenditure is amortised on a straight line basis over the estimated useful life of the programme. A rate of 2 or 3 years has been used in respect of programmes amortised within the year.

e) Foreign currency items

Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

Differences on exchange are taken to the profit and loss account.

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

f) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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 balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Amounts relating to deferred taxation are undiscounted.

2 Turnover

Turnover represents subscriber income and the recharge of costs, incurred during the year, to MTV Networks, a subsidiary of Viacom Inc..

The subscriber income is recognised over the period of the subscription.

	2002 £	2001 £
Geographical analysis		
Scandinavia	1,249,099	939,401
Holland	87,403	-
United States	2,237,384	5,570,353
	3,573,886	6,509,754

3 Operating profit

Operating profit is stated after charging/(crediting):

	2002 £	2001 £
Depreciation - owned assets	25,031	22,227
Amortisation - deferred programming	858,971	959,786
Auditor's remuneration - audit services	6,100	8,000

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

4 Staff costs

No staff have employment contracts with Nickelodeon International Limited and all are employed under contracts with MTV Networks Europe. MTV Networks Europe recharges Nickelodeon International Limited for the costs of these staff. The staff costs for the year ended 31 December 2002 were £609,903 (2001: £698,684). The average number of persons employed during the year was 15 (2001: 16).

5 Directors' emoluments

No directors received any emoluments in respect of their services to the company (2001: Nil)

6 Interest receivable and similar income

	2002 £	2001 £
Bank interest	14,982	3,882
Interest on balances due from group undertakings	67,479	4,780
	<hr/> 82,461	<hr/> 8,662

7 Interest payable

	2002 £	2001 £
Interest on balances due to group undertakings	-	27,108
	<hr/>	<hr/>

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

8 Taxation on profit on ordinary activities

(a) Analysis of charge in period

	2002 £	2001 (restated) £
The tax charge, based on the taxable profit for the year comprises:		
Current tax:		
UK Corporation tax on profit for the year at 30% (2001: 30%)	Nil	Nil
Adjustment in respect of previous periods	Nil	Nil
Total current tax charge (note 8 (b))	Nil	Nil
Deferred tax:		
Origination and reversal of timing differences	7,153	176,819
Total deferred tax charge (note 9)	7,153	176,819
Tax on profit on ordinary activities	7,153	176,819

(b) Factors affecting tax charge for period

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

	2002 £	2001 (restated) £
Profit on ordinary activities before tax	1,095,984	1,072,795
Profit on ordinary activities multiplied by standard rate in the UK – 30% (2001: 30%)	328,795	321,838
Effects of:		
Expenses not deductible for tax purposes	(14,849)	(24,959)
Depreciation in excess of capital allowances	(7,153)	(3,823)
Surrender of profits for group relief	(306,793)	(120,060)
Utilisation of losses b/fwd	Nil	(172,996)
Current tax charge for the year (note 8 (a))	Nil	Nil

The company has adopted FRS 19 'Deferred Tax' and has restated the prior year accordingly. The adoption has resulted in the recognition of deferred tax assets in respect of timing differences incurred in prior years and the corresponding restatement of the prior years' results.

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

8 Taxation on profit on ordinary activities (continued)

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

	2002	2001 (restated)
	£	£
Accelerated capital allowances	7,153	3,823
Utilisation of tax losses	-	172,996
Deferred tax charge for the year	7,153	176,819

Refer to note 9 for a breakdown of the deferred tax asset.

9 Deferred taxation

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

	2002	2001 (restated)
	£	£
Accelerated capital allowances	(11,841)	(18,994)
Deferred tax asset	(11,841)	(18,994)

Deferred tax asset	£
At 1 January 2002 as previously reported	-
Prior year adjustment – FRS 19	(18,994)
At 1 January 2002 as restated	(18,994)
Deferred tax charge in profit and loss account	7,153
At 31 December 2002	(11,841)

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

10 Tangible assets

	Leasehold Improvements £	Office Equipment £	Fixtures and Fittings £	Total £
Cost at 1 January 2002	142,662	72,210	41,691	256,563
Additions	-	82,196	-	82,196
Cost at 31 December 2002	142,662	154,406	41,691	338,759
Accumulated depreciation at 1 January 2002	(41,955)	(59,211)	(38,264)	(139,430)
Charge for the year	(8,392)	(15,313)	(1,326)	(25,031)
Accumulated depreciation at 31 December 2002	(50,347)	(74,524)	(39,590)	(164,461)
Net book value At 31 December 2002	92,315	79,882	2,101	174,298
At 31 December 2001	100,707	12,999	3,427	117,133

11 Debtors

	2002 £	2001 (restated) £
Trade debtors	307,362	395,554
Amounts owed by group undertakings	2,375,258	4,204,281
Other debtors	-	5,921
Deferred tax (note 9)	11,841	18,994
Taxation and social security	295,894	277,050
Prepayments and accrued income	245,473	139,331
	3,235,828	5,041,131

12 Deferred programming

	2002 £	2001 £
Unamortised deferred programming costs	2,188,765	1,437,925

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

13 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	17,706	-
Amount owed to parent undertaking	218,375	1,102,595
Amounts owed to group undertakings	2,437,856	1,749,603
Accruals and deferred income	2,360,266	3,449,740
	5,034,203	6,301,938

14 Reconciliation of movement in shareholders funds

	2002 (restated) £
At 1 January 2002 as previously reported	357,838
Prior year adjustment – FRS 19	18,994
At 1 January 2002 as restated	376,832
Profit for the financial year	1,088,831
At 31 December 2002	1,465,663

15 Reserves

	Profit and loss account (restated) £
At 1 January 2002 as previously reported	357,837
Prior period adjustment – FRS 19	18,994
At 1 January 2002 as restated	376,831
Profit for the financial year	1,088,831
At 31 December 2002	1,465,662

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

16 Called up share capital

	2002 £	2001 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
1 ordinary share of £1	1	1

17 Ultimate Parent Undertaking

The largest group for which consolidated financial statements are drawn up and of which the company is a member is Viacom Inc., incorporated in the USA. The consolidated financial statements of this company can be obtained from 1515 Broadway, New York, 10036.

Viacom UK Limited, the immediate parent undertaking, a company registered in England and Wales, is the smallest undertaking to consolidate these financial statements. Copies of these financial statements can be obtained from 180 Oxford Street, London W1D 1NN.

The ultimate controlling party is National Amusements Inc, incorporated in the USA.