

Nickelodeon International Limited

(Registered No: 3231743)

**Annual Report and Financial Statements
for the year ended 31 December 2004**



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Nickelodeon International Limited

Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

Principal activity, review of the business and future developments

The principal activity of the company is the management and broadcasting of television services. The company will continue to provide these services for the foreseeable future.

Results and dividends

The profit for the year ended 31 December 2004 was £1,055,366 (2003: profit of £1,811,105). The directors do not propose to pay a dividend (2003: £nil).

Directors

The directors listed below held office during the whole of the period from 1 January 2004 to the date of this report other than as indicated below.

T Ellis

G Wallace (resigned 15/12/2004)

N Fletcher (appointed 15/12/2004)

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.

Post balance sheet event

Please refer to Note 17 of the accounts.

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. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with

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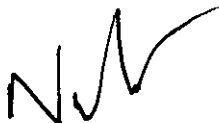
Directors' report for the year ended 31 December 2004 (Continued)

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.

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

A handwritten signature in black ink, appearing to be 'N. Fletcher', with a stylized flourish at the end.

Nick Fletcher
Director

10th August 2006

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 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 2004 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

10th August 2006

Nickelodeon International Limited

Profit and loss account for the year ended 31 December 2004

		2004	2003
	Notes	£	£
Turnover	2	3,747,419	4,402,406
Cost of sales		(2,553,350)	(553,872)
Gross profit		1,194,069	3,848,534
Administrative expenses		(339,307)	(1,362,009)
Operating profit	3	854,762	2,486,525
Interest receivable and similar income	6	41,220	32,050
Profit on ordinary activities before taxation		895,982	2,518,575
Tax on profit on ordinary activities	7	159,384	(707,470)
Retained profit for the financial year	14	1,055,366	1,811,105

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.

The company has no recognised gains or losses other than those included above and therefore no separate statement of recognised gains or losses has been presented.

Nickelodeon International Limited

Balance sheet as at 31 December 2004

		2004	2003
	Notes	£	£
Fixed assets			
Tangible assets	9	139,643	183,006
Current assets			
Debtors	10	5,158,874	4,966,848
Deferred programming costs	11	1,289,939	962,514
Cash at bank and in hand		461,570	785,451
		6,910,383	6,714,813
Creditors: amounts falling due within one year	12	(2,717,892)	(3,621,051)
Net current assets		4,192,491	3,093,762
Total assets less current liabilities		4,332,134	3,276,768
Net assets		4,332,134	3,276,768
Capital and reserves			
Share capital	15	1	1
Profit and loss account	14	4,332,133	3,276,767
Equity shareholders' funds	13	4,332,134	3,276,768

The financial statements on pages 4 to 13 were approved by the board of directors on 10th August 2006 and were signed on its behalf by:



Nick Fletcher
Director

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 2004

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.

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) Program expenditure and amortisation

Programming expenditure is capitalised and amortised over the period of the license agreement unless the terms of the playing times are clearly not indicative of the benefits received

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 2004 (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.

	2004 £	2003 £
Geographical analysis		
Scandinavia	1,956,197	1,562,428
Holland	92,584	262,806
United States	1,698,638	2,577,172
	<hr/>	<hr/>
	3,747,419	4,402,406

3 Operating profit

Operating profit is stated after charging/ (crediting):

	2004 £	2003 £
Depreciation - owned assets	41,389	39,744
Amortisation - deferred programming	743,827	561,781
Auditor's remuneration - audit services	17,000	8,800
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Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2004 (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 2004 were £651,641 (2003: £631,683). The average number of persons employed during the year was 10 (2003: 10).

5 Directors' emoluments

No directors received any emoluments in respect of their services to the company (2003: Nil)

6 Interest receivable and similar income

	2004 £	2003 £
Bank interest	15,672	11,432
Interest on balances due from group undertakings	25,548	20,618
	<hr/> 41,220	<hr/> 32,050

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

7 Taxation on profit on ordinary activities

(a) Analysis of charge in period

	2004	2003
	£	£
The tax charge, based on the taxable profit for the year comprises:		
Current tax:		
UK Corporation tax on profit for the year at 30% (2003: 30%)	Nil	704,137
Adjustment in respect of previous periods	(158,454)	Nil
Total current tax credit (note 7 (b))	(158,454)	704,137
Deferred tax:		
Origination and reversal of timing differences	(935)	3,332
Prior year adjustment for Deferred Tax	5	
Total deferred tax credit (note 8)	(930)	3,332
Tax charge (credit) on ordinary activities	(159,384)	707,470

(b) Factors affecting tax credit 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:

	2004	2003
	£	£
Profit on ordinary activities before tax	895,982	2,518,575
Profit on ordinary activities multiplied by standard rate in the UK – 30% (2003: 30%)	268,795	755,573
Effects of:		
Expenses not deductible for tax purposes	78,347	3,584
Depreciation in excess of capital allowances	935	(3,332)
Surrender of Group Relief	(348,077)	(51,688)
Current tax charge for the year	Nil	704,137

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Notes to the financial statements for the year ended 31 December 2004 (continued)

Taxation on profit on ordinary activities (continued)

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

	2004	2003
	£	£
Accelerated capital allowances	(935)	3,332
Utilisation of tax losses		
Prior year adjustment	5	-
Deferred tax credit for the year	(930)	3,332

Refer to note 8 for a breakdown of the deferred tax asset.

8 Deferred taxation

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

	2004	2003
	£	£
Accelerated capital allowances	(9,439)	(8,509)
Deferred tax asset	(9,439)	(8,509)
Deferred tax asset	£	£
At 1 January 2004	(8,509)	(11,841)
Deferred tax credit in profit and loss account	(930)	3,332
At 31 December 2004	(9,439)	(8,509)

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Notes to the financial statements for the year ended 31 December 2004 (continued)

9 Tangible assets

	Leasehold Improvements £	Office Equipment £	Fixtures and Fittings £	Total £
Cost at 1 January 2004	142,662	202,289	42,261	387,212
Additions	-	-	-	-
Disposal and write-offs	-	(2,660)	(379)	(3,039)
Cost at 31 December 2004	142,662	199,629	41,882	384,173
Accumulated depreciation at 1 January 2004	(58,739)	(105,037)	(40,429)	(204,205)
Charge for the year	(7,328)	(32,356)	(641)	(40,325)
Accumulated depreciation at 31 December 2004	(66,067)	(137,393)	(41,070)	(244,530)
Net book value At 31 December 2004	76,595	62,236	812	139,643
At 31 December 2003	83,923	97,251	1,832	183,006

10 Debtors

	2004 £	2003 £
Trade debtors	285,756	423,163
Amount owed by parent undertaking	2,474,960	1,609,213
Amounts owed by group undertakings	926,862	1,628,500
Deferred tax (note 8)	9,439	8,509
Taxation and social security	461,511	207,762
Prepayments and accrued income	1,000,346	1,089,701
	5,158,874	4,966,848

11 Deferred programming

	2004 £	2003 £
Unamortised deferred programming costs	1,289,939	962,514

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Notes to the financial statements for the year ended 31 December 2004 (continued)

12 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	252,659	68,452
Amounts owed to group undertakings	1,699,778	1,304,351
Taxation and social security	-	678,108
Accruals and deferred income	765,455	1,570,140
	<u>2,717,892</u>	<u>3,621,051</u>

13 Reconciliation of movement in shareholders funds

	2004 £
At 1 January 2004	3,276,768
Profit for the financial year	<u>1,055,366</u>
At 31 December 2004	<u>4,332,134</u>

14 Reserves

	Profit and loss account £
At 1 January 2004	3,276,767
Profit for the financial year	<u>1,055,366</u>
At 31 December 2004	<u>4,332,133</u>

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2004 (continued)

15 Called up share capital

	2004 £	2003 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
1 ordinary share of £1	1	1

16 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.

17 Post balance sheet event

On 15 December 2005, the immediate parent company, Viacom UK Limited, sold its equity interest of one £1 Ordinary shares in the company for a consideration of \$10,300,000 to Viacom International Inc., a company registered in the United States of America. The ultimate controlling party remains as National Amusements Inc., which is incorporated in the United States of America.