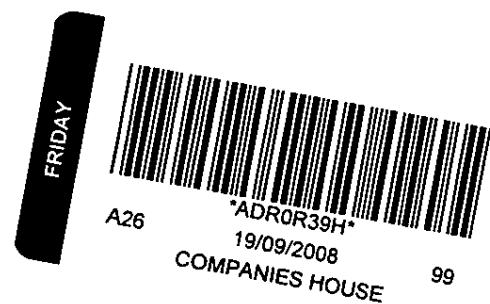


Nickelodeon International Limited

(Registered No: 3231743)

**Annual Report and Financial Statements
for the year ended 31 December 2007**



Nickelodeon International Limited

Director's report for the year ended 31 December 2007

The director presents the report and the audited financial statements of the company for the year ended 31 December 2007

Business review

Business review and principal activities

The principal activity of the company is the management and broadcasting of television services. The results for the company show a profit for the year of £3,611,963 (2006 profit of £3,046,677) and sales of £10,589,090 (2006 £8,386,353). The company had net assets of £11,626,550 (2006 £8,014,587). The director does not propose to pay a dividend (2006 £nil). The profit for the year has been transferred to reserves.

Future outlook

The company will continue to provide management and broadcasting of television services for the foreseeable future. The director remains confident that the company will maintain its current level of performance in the future.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the company's director is of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Directors

The directors listed below held office for the following periods indicated below:

James Currell, appointed 28 June 2007

Nicholas Fletcher, appointed 15 December 2004, resigned 28 June 2007

Simon Guild, appointed 30 September 2006, resigned 2 February 2007

Neil Miller, appointed 2 February 2007, resigned 28 June 2007

Nickelodeon International Limited

Director's report for the year ended 31 December 2007 (Continued)

Statement of director's responsibilities in respect of the Annual Report and the financial statements

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director confirms that he has complied with the above requirements in preparing the financial statements.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

The director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Financial risk management

The company's operations expose it to a variety of financial risks. These include credit risk, the liquidity risk associated with recovering customer debt on a timely basis, interest rate cash flow risk and foreign exchange risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring customer debt levels and the related financial risks to the business.

Nickelodeon International Limited

Director's report for the year ended 31 December 2007 (Continued)

Given the size of the company, the director has not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department follows the policy and procedures manual provided by the company's ultimate parent company that sets out specific guidelines to manage credit and liquidity risks. Interest rate cash flow risk is managed by the company's ultimate parent company.

Credit risk

The company has implemented policies to monitor customer debt levels and to ensure that excessive credit is not extended to any particular customer. This provides the business with visibility of balances and ensures that no further credit is extended in cases where this is not merited.

Liquidity risk

The company's customer profile is such that late payments and defaults may reduce the funds available for operations and planned expansions. The company manages this by actively monitoring customer payments and following up overdue balances.

Interest rate cash flow risk

The company has interest bearing assets. Interest bearing assets include only cash balances, all of which earn interest at a floating rate. The company's debt profile is maintained by the ultimate parent company. The director will revisit the appropriateness of this policy should the company's operations change in size or nature.

Foreign Exchange Risk

To the extent that the company enters into banking arrangements and intercompany agreements in currencies different to that of the company's functional currency, there is an exposure to movements in exchange rates. The company does not participate in cross-currency hedging.

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the board



James Currell

Director

10 September 2008

Nickelodeon International Limited

Independent auditors' report to the members of Nickelodeon International Limited

We have audited the financial statements of Nickelodeon International Limited for the year ended 31 December 2007, which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the director and auditors

The director's responsibilities for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 whether, in our opinion, the information given in the Director's Report is consistent with the financial statements. In addition, we report to you, if, in our opinion, 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 other transactions is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 director 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Director's Report is consistent with the financial statements


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

10 September 2008

Nickelodeon International Limited

Profit and loss account for the year ended 31 December 2007

		2007	2006
	Notes	£	£
Turnover	2	10,589,090	8,386,353
Cost of sales		(5,893,520)	(2,942,195)
Gross profit		4,695,570	5,444,158
Administrative expenses		(1,060,542)	(1,105,631)
Operating profit	3	3,635,028	4,338,527
Interest receivable and similar income	6a	205,950	56,069
Interest payable and similar charges	6b	(25,183)	(32,240)
Profit on ordinary activities before taxation		3,815,795	4,362,356
Tax on profit on ordinary activities	7	(203,832)	(1,315,679)
Retained profit for the financial year	13	3,611,963	3,046,677

There is no difference between the historical cost profits and losses and the results presented

The results for the year were derived from 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 2007

		2007	2006
	Notes	£	£
Current assets			
Debtors	9	13,702,734	9,136,760
Deferred programming costs	10	1,801,572	1,633,539
Cash at bank and in hand		6,780,558	4,493,493
		22,284,864	15,263,792
Creditors, amounts falling due within one year	11	(10,658,314)	(7,249,205)
Net current assets		11,626,550	8,014,587
Net assets		11,626,550	8,014,587
Capital and reserves			
Share capital	14	1	1
Profit and loss account	13	11,626,549	8,014,586
Equity shareholders' funds	12	11,626,550	8,014,587

The financial statements on pages 5 to 14 were approved by the board of directors on 10 September 2008 and were signed on its behalf by



James Currell
Director

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2007

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 in the United Kingdom. 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 Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Viacom Inc. group or investees of the Viacom Inc. group.

c) Programme expenditure and amortisation

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 owned productions are included within the cost of programme rights. Programme rights, and the related liability, are recorded at cost when the programmes are available for transmission. Programme payments made in advance of the company having the ability to transmit the related programmes are treated as prepayments.

Programme rights are amortised with reference to one of two bases on a programme-by-programme basis. The usage basis, which amortises the programme cost over the allowed number of plays, is used where there are a limited number of plays available unless the time basis results in a lower holding value for the programme rights. The time basis amortises the programme cost over the period of the licence.

Amounts receivable from group undertakings in respect of recoverable programme costs are disclosed as an asset within debtors and the cost of programmes where the license period has started but where the related invoices have not been received are disclosed as an asset within deferred programming costs.

d) 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 2007 (continued)

e) Taxation

Corporation tax payable is provided on taxable profits at the current rate

Deferred tax is provided in full 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

f) Pension

MTV Networks Europe operates a defined contribution pension scheme for certain of its employees, including employees whose costs are recharged to Nickelodeon International Limited (see note 4). The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

g) Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to the current year presentation.

2 Turnover

Turnover represents subscriber and advertising 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.

	2007 £	Restated 2006 £
Geographical analysis		
Scandinavia (subscriber income)	2,439,800	2,260,481
Holland (recharge of costs)	250,796	31,576
France (subscriber income)	4,468,962	4,038,329
France (advertising income)	642,350	-
Belgium (advertising income)	728,665	-
United States (recharge of costs)	1,405,742	1,051,980
United Kingdom (recharge of costs)	652,775	1,003,987
	10,589,090	8,386,353

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

3 Operating profit

Operating profit is stated after (crediting)/charging

	2007 £	Restated 2006 £
Amortisation - deferred programming	750,362	849,529
Auditors' remuneration - audit services	30,000	19,995
Net foreign exchange gains	(176,824)	(97,643)

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.

	2007 £	Restated 2006 £
Wages and salaries	380,901	347,063
Social security costs	71,891	75,924
Other pension costs	12,065	11,648
	464,857	434,635

The average number of persons employed during the year was 9 (2006: 10)

5 Directors' emoluments

The directors did not receive any emoluments in respect of these services to the company (2006: Nil)

6 a Interest receivable and similar income

	2007 £	2006 £
Bank interest receivable	205,950	55,965
Interest on balances due from group undertakings	-	104
	205,950	56,069

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

6b Interest payable

	2007 £	2006 £
Bank interest payable	25,183	32,240
	25,183	32,240

7 Taxation on profit on ordinary activities

(a) Analysis of charge in period

	2007 £	2006 £
The tax charge, based on the taxable profit for the year comprises		
Current tax		
UK Corporation tax on profit for the year at 30% (2006 30%)	1,228,557	1,310,563
Adjustments in respect of previous periods	(1,029,814)	-
Total current tax charge (note 7 (b))	198,743	1,310,563
Deferred tax.		
Origination and reversal of timing differences	5,089	5,367
Adjustment in respect of prior year periods	-	(251)
Total deferred tax charge (note 8)	5,089	5,116
Tax charge on profit on ordinary activities	203,832	1,315,679

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

7 Taxation on profit on ordinary activities (continued)

(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

	2007	2006
	£	£
Profit on ordinary activities before tax	3,815,795	4,362,356
Profit on ordinary activities multiplied by standard rate in the UK – 30% (2006 30%)	1,144,739	1,308,707
Effects of		
Expenses not deductible for tax purposes	1,585	1,133
Capital allowances in excess of depreciation	(4,035)	(5,362)
Imputed Interest	86,514	6,090
Other short-term timing differences	(246)	(5)
Adjustments in respect of previous periods	(1,029,814)	-
Current tax charge for the year	198,743	1,310,563

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

	2007	2006
	£	£
Accelerated capital allowances	4,843	5,362
Adjustment in respect of previous periods	-	(251)
Other timing differences	246	5
Deferred tax charge for the year	5,089	5,116

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

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

8 Deferred taxation

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

	2007	2006
	£	£
Accelerated capital allowances	11,299	16,388
Deferred tax asset	11,299	16,388
Deferred tax asset	£	£
At 1 January 2007	16,388	21,504
Deferred tax charge in profit and loss account	(5,089)	(5,367)
Adjustment in respect of previous periods	-	251
At 31 December 2007	11,299	16,388

The Chancellor of the Exchequer announced a reduction in the standard rate of UK corporation tax from 30 per cent to 28 per cent with effect from 1 April 2008. This change became substantively enacted upon the third reading and approval of the Finance Bill 2007, which took place in the House of Commons on 26 June 2007. The deferred tax balances carried forward as at 31 December 2007 have therefore been revalued at 28% in accordance with FRS19. However, the current year effect of the tax rate change in respect of the deferred tax balances is not significant.

9 Debtors

	2007	2006
	£	£
Trade debtors	1,396,024	1,501,745
Amounts owed by group undertakings	11,522,254	6,927,119
Deferred tax (note 8)	11,299	16,388
Taxation and social security	51,355	83,825
Prepayments and accrued income	721,802	607,683
	13,702,734	9,136,760

Amounts due from group undertakings are unsecured, non interest-bearing and have no specific repayment dates.

10 Deferred programming

	2007	2006
	£	£
Unamortised deferred programming costs	1,801,572	1,633,539

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

11 Creditors: amounts falling due within one year

	2007 £	Restated 2006 £
Trade creditors	1,354,803	817,553
Corporation tax payable	554,735	1,303,710
Amounts owed to group undertakings	5,169,253	2,917,786
Accruals and deferred income	3,579,523	2,210,156
	10,658,314	7,249,205

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

12 Reconciliation of movement in equity shareholders' funds

	2007 £
Equity shareholders' funds as at 1 January 2007	8,014,587
Profit for the financial year	3,611,963
Equity shareholders' funds as at 31 December 2007	11,626,550

13 Reserves

	Profit and loss account £
At 1 January 2007	8,014,586
Profit for the financial year	3,611,963
At 31 December 2007	11,626,549

14 Called up share capital

	2007 £	2006 £
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid.		
1 ordinary share of £1	1	1

Nickelodeon International Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

15 Contingent Liability

The company participates in an arrangement of joint and several liabilities with a number of Viacom companies with respect to the group set-off overdraft facility of £5m net and £60m gross. This represents a contingent liability for the company, standing at the value of any deposit of the company within the group set-off, with a maximum of £60m and a minimum of £nil.

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, New York 10036.

Viacom International Inc, the immediate parent undertaking, a company registered in the United States of America, is the smallest undertaking to consolidate these financial statements.

The ultimate controlling party is National Amusements Inc, which is incorporated in the United States of America.

17 Financial Commitments

	2007 £	2006 £
Programme right commitments contracted for	<u>278,608</u>	<u>274,278</u>