

Company Registration No. 3324932

Channel Network (UK) Limited

Report and Financial Statements

18 months ended 30 June 2007

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Channel Network (UK) Limited

Report and financial statements 2007

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Channel Network (UK) Limited

Report and financial statements 2007

Shareholders and professional advisers

Director

E Haslingden

Shareholders

Channel Network (UK) Limited is a UK based company owned equally by the following:

TV Docchannel UK Limited	50% equity
NGC UK Holdings Company Limited	50% equity

Registered Office

Shepherds Building East
Richmond Way
London
W14 0DQ

Bankers

Barclays Bank PLC
54 Lombard Street
London
EC3V 9DA

Auditors

Deloitte LLP
Chartered Accountants
London

Channel Network (UK) Limited

Director's report

The directors present their annual report on the affairs of the company together with the financial statements and auditors' report for the 18 months ended 30 June 2007. These accounts have been prepared in accordance with the special provisions relating to small companies under s246 Companies Act 1985.

Principal activity and business review

The company is a joint venture between TV Docchannel UK Limited and NGC UK Holdings Company Limited formed for the purpose of holding an investment in NGC-UK Partnership ('National Geographic UK', 'the Partnership') and NGC Overseas Holding Limited. The company is a non-operating entity through which the shareholders invest funds in, and receive returns from, the Partnership. The partnership operates and transmits the documentary programme channels National Geographic Channel, National Geographic Channel HD, Nat Geo Wild and Adventure One within its territories. In the UK, this is as part of BskyB multi-channel packages. The principal territories in which the partnership operates are the United Kingdom, the Netherlands, Scandinavia, Africa, Israel and Eastern Europe.

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years.

Results and dividend

During the year £1,440,000 was paid as a dividend (year ended 31 December 2005: £546,000). The profit for the year is shown on page 7.

Going concern

The director has assessed the going concern status of the Company and has satisfied himself that there are reasonable grounds to conclude that the Company will continue to be profitable and will not cease to trade within twelve months from the date of approval of the financial statements. The director has made this assessment after giving due consideration to the current economic climate and the continuing support of the shareholders.

Directors and director's interests

The directors who held office during the period and subsequently (except as noted), were as follows:

T Kelly (resigned 11 December 2007)

A Grima (resigned 11 December 2007)

E Prince (resigned 11 December 2007)

E Haslingden (appointed 11 December 2007)

At no time during the year did any of the directors hold any interest requiring disclosure under Schedule 7 of the Companies Act 1985 in the shares of the company or shares in any other group company.

Channel Network (UK) Limited

Director's report

Financial risk management objectives and policies

The director does not believe that the company is exposed to any credit risk, cash flow risk, price risk or liquidity risk. The company currently has sufficient cash to fund its activities, however in the event that additional liquidity was required sufficient funds are available for ongoing operations and future developments.

Auditors

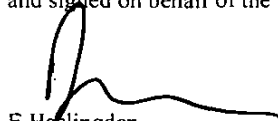
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information 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 s234ZA of the Companies Act 1985.

Deloitte LLP will resign as auditors of Channel Network (UK) Limited following the completion of the audit of the 30 June 2007 Financial Statements. Following this audit, Ernst & Young LLP will be appointed.

Approved by the Sole Director
and signed on behalf of the Board



E Haslingden
Director

3 April

2009

Channel Network (UK) Limited

Statement of directors' responsibilities

The directors are responsible 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). 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 these financial statements, the directors are 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; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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' report to the members of Channel Network (UK) Limited

We have audited the financial statements of Channel Network (UK) Limited for the period ended 30 June 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement, and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

The directors' responsibilities for preparing the Annual Report and 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).

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 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 Director's 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 United Kingdom 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 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.

Independent auditors' report to the members of Channel Network (UK) Limited (continued)

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 30 June 2007 and of the company's profit for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.



Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

6 April, 2009

Channel Network (UK) Limited

Profit and loss account 18 months ended 30 June 2007

	Notes	18 months ended 30 June 2007 £'000	Restated - Year ended 31 December 2005 £'000
Turnover	2	-	-
Operating expenses, net	3	(200)	(179)
Operating profit		(200)	(179)
Distributions Received	4	7,077	4,271
Interest receivable	5	155	94
Profit on ordinary activities before taxation	6	7,032	4,186
Taxation on profit on ordinary activities	7	(1,946)	(1,452)
Profit on ordinary activities after taxation and retained profit for the year	13	5,086	2,734

All activities relate to continuing operations.

The profit for the year ended 31 December 2005 has been restated for a change in accounting policy (see note 15).

Channel Network (UK) Limited

Statement of total recognised gains and losses 18 months ended 30 June 2007

	18 months ended 30 June 2007 £'000	Restated - Year ended 31 December 2005 £'000
Profit for the financial period	5,086	2,734
Prior period adjustment (see note 15)	(981)	-
Total Recognised Gains and Losses since the last annual report	<u>4,105</u>	<u>2,734</u>

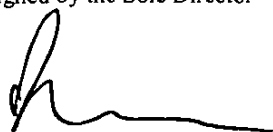
Channel Network (UK) Limited

Balance sheet 30 June 2007

		30 June 2007 £'000	Restated - 31 December 2005 £'000
	Notes		
Fixed assets			
Investments	8	11,723	10,546
Current assets			
Debtors	9	140	475
Cash at bank and in hand		3,256	794
		3,396	1,269
Creditors: amounts falling due within one year	10	(4,394)	(4,736)
Net current liabilities		(998)	(3,467)
Total assets less current liabilities		10,725	7,079
Net assets		10,725	7,079
Capital and reserves			
Called up share capital	12	3,646	3,646
Profit and loss account	13	7,079	3,433
Shareholders' funds	14	10,725	7,079

These financial statements were approved by the Sole Director on

Signed by the Sole Director



E Haslingden
Director

3 April 2009.

Channel Network (UK) Limited

Cash flow statement 18 months ended 30 June 2007

	Notes	18 months ended 30 June 2007 £'000	Restated - Year ended 31 December 2005 £'000
Net cash inflow from operating activities	17	(164)	(172)
Returns on investments and servicing of finance			
Partnership Distributions Received		5,900	2,750
Interest received		130	94
Interest paid		-	(387)
Taxation		(1,604)	(1,073)
Equity dividends paid		(1,440)	(546)
Cash inflow before financing		2,822	666
Financing			
Loans repaid to shareholders		(360)	(6,100)
Increase/(decrease) in cash in the year	18	2,462	(5,434)

Channel Network (UK) Limited

Notes to the financial statements 18 months ended 30 June 2007

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom laws and accounting standards. The particular accounting policies adopted are summarised below. They have all been applied consistently throughout the current and the preceding year. The change in accounting policy is described below.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable financial reporting and accounting standards.

In accordance with Financial Reporting Standard 9 "Associates and Joint Ventures" ("FRS 9"), the company's share of the income, expenditure, assets and liabilities and cash flows of NGC UK Partnership has been included in the financial statements of the company on an equity basis.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on all timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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.

Foreign currency

Trading activities 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 foreign exchange contract or other hedging instrument. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end or, if hedged, at the appropriate hedged rate. All differences are taken to the profit and loss account.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Turnover

Turnover, which excludes value added tax, represent the cash distributions received from NGC UK Partnership for the period.

Going concern

The director has assessed the going concern status of the Company and has satisfied himself that there are reasonable grounds to conclude that the Company will continue to be profitable and will not cease to trade within twelve months from the date of approval of the financial statements. The director has made this assessment after giving due consideration to the current economic climate and the continuing support of the shareholders.

Channel Network (UK) Limited

Notes to the financial statements 18 months ended 30 June 2007

Change in Accounting Policy

Change of ownership structure has led to the change in accounting policy this year which has resulted in Channel Network (UK) Limited recording the investment in NGC UK Partnership on an equity basis. In previous years, the investment in NGC UK Partnership was recorded on a proportionate basis. The comparative figures for the year ended 31 December 2005 have been restated to reflect this change.

Additionally, these accounts represent an 18 month period. This was done to bring these accounts in line with the reporting period of the other entities within the group.

2. Segmental information

Whilst deriving from one class of business, the company's turnover can be analysed as follows:

	18 months ended 30 June 2007 £'000	Restated - Year ended 31 December 2005 £'000
Turnover	-	-

3. Operating expenses, net

	18 months ended 30 June 2007 £'000	Restated - Year ended 31 December 2005 £'000
Administrative expenses	200	179

4. Distributions received

	18 months ended 30 June 2007 £'000	Restated - Year ended 31 December 2005 £'000
NGC UK Partnership	7,077	4,271

5. Interest receivable and similar income

	18 months ended 30 June 2007 £'000	Restated - Year ended 31 December 2005 £'000
Bank interest receivable	155	94

Channel Network (UK) Limited

Notes to the financial statements 18 months ended 30 June 2007

6. Profit on ordinary activities before taxation

No director received remuneration during the year (year ended 31 December 2005: £nil) in respect of their services to the company. The company employs no staff (year ended 31 December 2005: none).

Audit fees for the company for the period ended 30 June 2007 were £72,788 (year ended 31 December 2005: £67,000). No other fees were paid to the auditors (year ended 31 December 2005: £nil).

7. Taxation

(a) Analysis of tax charge in the year:

	18 months ended 30 June 2007 £'000	Restated - Year ended 31 December 2005 £'000
<i>Current tax</i>		
Current year corporation tax	2,186	1,146
Double tax relief	(382)	-
Adjustment in respect of prior years	(313)	201
Overseas withholding tax	382	239
Current tax charge for the year	1,873	1,586
<i>Deferred tax</i>		
Deferred tax charge	(21)	13
Adjustment in respect of prior years	94	(147)
Profit and loss account charge/(credit)	73	(134)
Total profit and loss account charge	1,946	1,452

(b) Factors affecting the tax charge for the year:

	18 months ended 30 June 2007 £'000	Restated - Year ended 31 December 2005 £'000
Profit on ordinary activities before taxation	7,032	4,186
UK Corporation tax at 30% thereon	2,110	1,256
Capital allowances in excess of depreciation	24	(4)
Additional taxable partnership profits	52	97
Double taxation relief	-	(203)
Overseas withholding tax	-	239
Prior year adjustment	(313)	201
Current tax charge for year	1,873	1,586

Channel Network (UK) Limited

Notes to the financial statements 18 months ended 30 June 2007

8. Fixed asset investments

The company has one share, being 50% of the issued share capital, in NGC Overseas Limited, a company incorporated in Great Britain. Its principal activity is a holding company of NGC Netherlands BV and NGC Israel Limited Partnership

Through its 50% interest in National Geographic UK Partnership, the company also has an interest in NGC Network Australia Pty Ltd, incorporated in Australia, all of the issued share capital of which is owned by NGC UK Partnership.

	30 June 2007 £'000	Restated – 31 December 2005 £'000
Investment in NGC UK Partnership	<u>11,723</u>	<u>10,546</u>

9. Debtors

	30 June 2007 £'000	Restated – 31 December 2005 £'000
Deferred Tax Asset		
At 1 January 2006	134	-
Prior year adjustment	(94)	147
Adjusted deferred tax asset – effect of rate change to 28%	(2)	-
Charged to profit and loss account	<u>21</u>	<u>(13)</u>
At 30 June 2007	<u>59</u>	<u>134</u>
 Corporation Tax	 <u>81</u>	 <u>341</u>
	<u>140</u>	<u>475</u>

Channel Network (UK) Limited

Notes to the financial statements 18 months ended 30 June 2007

10. Creditors: amounts falling due within one year

	30 June 2007 £'000	Restated – 31 December 2005 £'000
Shareholder loans (see note 11)	1,938	2,298
Other creditors and accruals	2,456	2,438
	<u>4,394</u>	<u>4,736</u>

Within the other creditors and accruals listed above the related party balances include:

	30 June 2007 £'000	Restated – 31 December 2005 £'000
Other creditors and accruals		
Amounts owed to NGC Network LLC	2,420	2,420
Other Creditors	36	18
	<u>2,456</u>	<u>2,438</u>

All balances with related parties are repayable on demand and are non- interest bearing.

11. Shareholder loans

	30 June 2007 £'000	Restated – 31 December 2005 £'000
Senior loan - Fox Entertainment Group	<u>1,938</u>	<u>2,298</u>

The loans are unsecured and have no fixed repayment date

12. Called up share capital

	30 June 2007 £'000	Restated – 31 December 2005 £'000
Authorised:		
Equity: 4,000,000 ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>
Allotted, called up and fully paid:		
Equity: 3,646,680 ordinary shares of £1 each	<u>3,646</u>	<u>3,646</u>

Channel Network (UK) Limited

Notes to the financial statements 18 months ended 30 June 2007

13. Reserves

	Restated – Profit and loss account £'000
At 31 December 2005	3,433
Retained profit for the period	5,086
Dividends paid	(1,440)
At 30 June 2007	<u>7,079</u>

14. Reconciliation of movements in equity shareholders' funds

	30 June 2007 £'000	Restated – 31 December 2005 £'000
Profit for the financial period/year	5,086	3,003
Dividends paid	(1,440)	(546)
Net addition to shareholders' funds	<u>3,646</u>	<u>2,457</u>
Opening shareholders' funds	7,079	3,641
Prior Year Adjustment (see note 15)	-	981
Closing shareholders' funds	<u>10,725</u>	<u>7,079</u>

Channel Network (UK) Limited

Notes to the financial statements 18 months ended 30 June 2007

15. Prior Year Adjustments

Change of ownership structure has lead to a change in accounting policy which has resulted in Channel Network (UK) Limited recording the investment in NGC UK Partnership on an equity basis. This change of policy is further detailed in note 1 to these accounts.

Accordingly the comparative figures in the financial statements have been restated to reflect this change in policy, and the effects are summarised below:

	12 months ended 31 December 2005 £'000
<u>Profit and Loss Statement</u>	
Turnover	16,438
Operating Expenses, net	(11,920)
Distributions Received	(4,271)
Interest Receivable	22
Opening Retained Earnings	(1,250)
	<hr/>
Decrease in profit for the financial year	(981)
<u>Balance Sheet</u>	
Tangible Assets	(339)
Investments	10,546
Stock	(6,033)
Debtors	(6,501)
Cash at bank and in hand	(3,458)
Creditors: Amounts falling due within one year	6,766
	<hr/>
Increase in net liabilities for the period	981

16. Transactions with related parties and major shareholders

The company has taken advantage of the exemption afforded by FRS8, 'Related Party Disclosures', not to disclose transactions between the Partnership and its wholly owned subsidiary, NGC Network (Australia) Pty Limited. There are no other related party transactions.

17. Reconciliation of operating profit to net cash inflow from operating activities

	30 June 2007 £'000	Restated – 31 December 2005 £'000
Operating profit	(200)	(179)
Increase in creditors	36	7
	<hr/>	<hr/>
Net cash inflow from operating activities	(164)	(172)
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Channel Network (UK) Limited

Notes to the financial statements 18 months ended 30 June 2007

18. Analysis of changes in net debt

	Restated – As at 31 December 2005 £'000	Cash flow £'000	As at 30 June 2007 £'000
Cash at bank and in hand	794	2,462	3,256
Investments	10,546	1,177	11,723
Debtors	475	(335)	140
Debt due within one year	(4,736)	342	(4,394)
Net debt	7,079	3,646	10,725

	Restated – 30 June 2007 £'000	31 December 2005 £'000
Decrease/(increase) in cash in year	2,462	(5,434)
Decrease in investments	1,177	1,521
Cash outflow in respect of partner loans	7	6,532
Change in net debt resulting from cash flows	3,646	2,619
Net funds at 1 January	7,079	4,460
Net funds at 30 June	10,725	7,079

The directors and shareholders consider it more appropriate to define net debt on a basis consistent with note 14 and as shown above.

19. Shareholders

The company was equally owned by TV Docchannel UK Limited and NGC UK Holdings Company Limited. Channel Network (UK) Limited is ultimately owned by Fox International Channels (US), Inc (52.2%, held through two subsidiaries), NGT, Inc (26.8%) and Sky Ventures Limited (21%). Fox International Channels (US), Inc is owned by News Corporation, a company incorporated in the United States of America.

20. Post Balance sheet events

Further to the change in ownership during the year, with effect from 12 December 2007 the ownership and control of Channel Network (UK) Limited changed as follows it is now ultimately owned by Fox International Channels (US), Inc (52.2%, held through two subsidiaries), NGT, Inc (26.8%) and Sky Ventures Limited (21%). Fox International Channels (US), Inc is owned by News Corporation, a company incorporated in the United States of America.