

# KIDSPROG LIMITED

Annual report and financial statements  
for the year ended 30 June 2010

Registered number 2767224



## Directors and Officers

For the year ended 30 June 2010

### **Directors**

Kidsprog Limited's ("the Company's") present Directors and those who served during the year are as follows

D J Darroch

A J Griffith

### **Secretary**

D J Gormley

### **Registered office**

Grant Way

Isleworth

Middlesex

TW7 5QD

### **Auditors**

Deloitte LLP

Chartered Accountants and Statutory Auditors

London

United Kingdom

## Directors' Report

The Directors present their Annual Report on the affairs of the Company, together with the financial statements and Auditors' Report for the year ended 30 June 2010

### Business review and principal activities

The Company is a wholly owned subsidiary of Sky Ventures Limited. The ultimate parent company is British Sky Broadcasting Group plc ("BSkyB", together with its subsidiaries, the "Group") and operates together with BSkyB's other subsidiaries, as a part of the Group.

The Company's principal activity is to act as a holding company for an investment in Nickelodeon UK Limited, a company which broadcasts a number of children's satellite television channels. The Directors expect that there will be no major changes in the Company's activities in the following year. For the foreseeable future, the Company will continue to trade as a going concern and will continue to hold the investment in Nickelodeon (UK) Limited.

### Results for the year

The audited accounts for the year ended 30 June 2010 are set out on pages 6 to 15. The profit for the year was £8,000,000 (2009: £7,800,000). The increase in profit during the year was due to the Company receiving dividends from Nickelodeon (UK) Limited of £8,000,000 (2009: 7,800,000). Shareholder's equity increased by £8,000,000 to £35,600,000 from £27,600,000 at the previous year ended 30 June 2009, which is in line with profit for the year. The Directors do not recommend the payment of a dividend for the year ended 30 June 2010 (2009: £nil).

### Key performance indicators (KPIs)

The Company's Directors believe that further key performance indicators of the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

### Principal risks and uncertainties

The Company's activities expose it to liquidity risk.

#### Liquidity risk

The Company relies on the Group Treasury function to manage its liquidity and ensure that sufficient funds are available for ongoing operations and future developments. The Group currently has access to an undrawn £750 million revolving credit facility which is due to expire on 30 July 2013. The Company benefits from this liquidity through intra-group facilities and loans.

The Directors do not believe that the Company is exposed to cash flow risk, intercompany credit risk or price risk.

### Going concern

The Company's business activities, together with the factors likely to affect its future development and performance are set out in the Business Review. The Directors' Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposures to credit risk and liquidity risk.

After making enquiries, the Directors have formed a judgement at the time of approving the financial statements that the Company will have access to adequate resources to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## Directors' Report (continued)

### Directors

The Directors who served during the year are shown on page 1

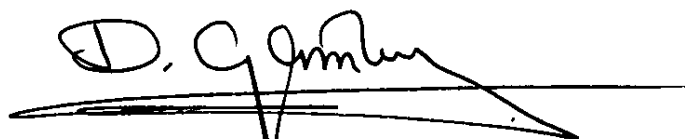
### Auditors

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) 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 to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information

Deloitte LLP have expressed their willingness to continue as auditors, and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

By order of the Board,

A handwritten signature in black ink, appearing to read 'D. J. Gormley', is written over a horizontal line.

D J Gormley  
Company Secretary

Grant Way  
Isleworth  
Middlesex  
TW7 5QD

29 November 2010

## 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they 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, International Accounting Standard 1 requires that Directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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' report

### Independent Auditors' Report to the Members of Kidsprog Limited:

We have audited the financial statements of Kidsprog Limited for the year ended 30 June 2010 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

#### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the Company's affairs as at 30 June 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Company financial statements comply with IFRSs as issued by the IASB.

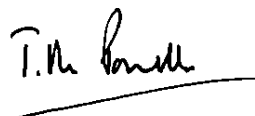
#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Timothy Powell (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London, United Kingdom

29 November 2010

## Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	<b>2010</b> <b>£'000</b>	2009 £'000
Investment income	2	<b>8,000</b>	7,800
<b>Profit before tax</b>	3	<b>8,000</b>	7,800
Taxation	4	-	-
<b>Profit for the year attributable to equity shareholders</b>		<b>8,000</b>	7,800

The accompanying notes are an integral part of this Statement of Comprehensive Income

For the years ended 30 June 2010 and 30 June 2009, the Company did not have any other items of other comprehensive income or loss

## Statement of Changes in Equity

For the year ended 30 June 2010

	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total shareholder's equity £'000</b>
<b>At 1 July 2008</b>	-	19,800	19,800
Profit for the year	-	7,800	7,800
<b>At 30 June 2009</b>	-	27,600	27,600
Profit for the year	-	8,000	8,000
<b>At 30 June 2010</b>	-	<b>35,600</b>	<b>35,600</b>

The accompanying notes are an integral part of this Statement of Changes in Equity

## Balance Sheet

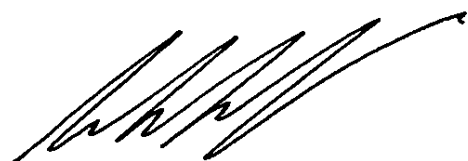
As at 30 June 2010

	Notes	2010 £'000	2009 £'000
<b>Non-current assets</b>			
Investment in joint ventures	5	5,527	5,527
<b>Current assets</b>			
Trade and other receivables	6	35,600	27,600
<b>Total assets</b>		<b>41,127</b>	<b>33,127</b>
<b>Current liabilities</b>			
Trade and other payables	7	5,527	5,527
<b>Total liabilities</b>		<b>5,527</b>	<b>5,527</b>
Share capital	8	-	-
Reserves		35,600	27,600
<b>Shareholder's equity attributable to equity shareholders</b>		<b>35,600</b>	<b>27,600</b>
<b>Total liabilities and shareholder's equity</b>		<b>41,127</b>	<b>33,127</b>

The accompanying notes are an integral part of this balance sheet.

As at 30 June 2010 and 30 June 2009 the Company did not hold any cash or cash equivalents. Accordingly a cash flow statement has not been presented.

The financial statements of Kidsprog Limited, registered number 2767224, were approved by the Board of Directors on 29 November 2010 and were signed on its behalf by



A J Griffith  
Director

29 November 2010



## Notes to the financial statements

### 1. Accounting policies

Kidsprog Limited (the "Company") is a limited liability Company incorporated in England and Wales and domiciled in the United Kingdom ("UK")

#### a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the Companies Act 2006. In addition, the Company also complied with IFRS as issued by the International Accounting Standards Board ("IASB")

#### b) Basis of preparation

The financial statements have been prepared on an historical cost basis, except for the remeasurement to fair value of financial instruments as described in the accounting policies below. The accounts have been prepared on a going concern basis (as set out in the Directors' Report)

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year. In fiscal year 2010, this date was 27 June 2010, this being a 52 week year (fiscal year 2009: 28 June 2009, 52 week year). For convenience purposes, the Company continues to date its financial statements as at 30 June

At the beginning of the current year, the Company adopted the following accounting pronouncements that are relevant to its operations, none of which had any significant impact on its results or financial position:

IAS 1 Revised (2007) "Presentation of Financial Statements",

Amendments to IFRS 7 "Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments"

#### c) Investments in joint ventures

Investments in joint undertakings are stated at cost. Provision is made for any impairment in value

#### d) Financial assets and liabilities

Financial assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. At each balance sheet date, the Company assesses whether there is any objective evidence that any financial asset is impaired. Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the financial asset or liability. Financial assets are derecognised from the balance sheet when the Company's contractual rights to the cash flows expire or the Company transfers substantially all the risks and rewards of the financial asset. Financial liabilities are derecognised from the Company's balance sheet when the obligation specified in the contract is discharged, cancelled or expires.

## Notes to the financial statements

### 1. Accounting policies (continued)

#### d) Financial assets and liabilities (continued)

##### i Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and are measured at amortised cost using the effective interest method. Trade and other receivables, with no stated interest rate, are measured at the original invoice amount if the effect of discounting is immaterial. An allowance account is maintained to reduce the carrying value of trade and other receivables for impairment losses identified from objective evidence, with movements in the allowance account, either from increased impairment losses or reversals of impairment losses, being recognised in the statement of comprehensive income.

##### ii. Trade and other payables

Trade and other payables are non-derivative financial liabilities and are measured at amortised cost using the effective interest method. Trade and other payables, with no stated interest rate, are measured at the original invoice amount if the effect of discounting is immaterial.

#### e) Impairment

At each balance sheet date, and in accordance with IAS 36 "Impairment of Assets", the Company reviews the carrying amounts of all its assets excluding financial assets (see accounting policy d) to determine whether there is any indication that any of those assets have suffered an impairment loss.

An impairment is recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price, defined as the fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

An impairment loss for an individual asset shall be reversed if there has been a change in estimates used to determine the recoverable amount since the last impairment loss was recognised and is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Any impairment loss in respect of goodwill is irreversible.

#### f) Taxation

The Company's liability for current tax is based on taxable profit for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

#### g) Critical accounting policies

Certain accounting policies are considered to be critical to the Company. An accounting policy is considered to be critical if its selection or application materially affects the Company's financial position or results. The Directors are required to use their judgement in order to select and apply the Company's critical accounting policies. The Directors do not believe that the Company has any critical accounting policies.

## Notes to the financial statements

### 1 Accounting policies (continued)

#### h) Accounting standards, interpretations and amendments to published standards not yet effective

The Company has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 July 2010 or later periods

These new pronouncements are listed below

- Improvements to IFRSs 2009 – various standards (effective 1 January 2010),
- Improvements to IFRSs 2010 – various standards (effective 1 July 2010 and 1 January 2011),
- IAS 24 Revised (2009) “Related Party Disclosures” (effective 1 January 2010),
- IFRS 9 “Financial Instruments” (effective 1 January 2013)

The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods

### 2. Investment income

	2010 £'000	2009 £'000
Dividend from joint venture	8,000	7,800

Dividends totalling £8,000,000 (2009 £7,800,000) were received in the year from Nickelodeon UK Limited

### 3 Profit before taxation

Staff costs during the year were £nil (2009 £nil) and the average monthly number of persons employed by the Company during the year was nil (2009 nil)

The Directors did not receive any remuneration during 2010 and 2009 in respect of their services to the Company

#### Audit fees

Amounts paid to the auditors for audit services of £6,250 (2009 £6,250) were borne by another Group subsidiary in 2010 and 2009. No amounts for other services have been paid to the auditors

## Notes to the financial statements

### 4 Taxation

No taxation charge was recognised in the year ended 30 June 2010 (2009 £nil)

#### Reconciliation of total tax charge

The tax expense for the year is lower (2009 lower) than the standard rate of corporation tax in the UK (28%) applied to profit before tax. The differences are explained below

	2010 £'000	2009 £'000
Profit before tax	8,000	7,800
Profit before tax multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	2,240	2,184
Effects of		
UK dividend income upon which no tax is payable	(2,240)	(2,184)
<b>Taxation</b>	-	-

All taxation relates to UK corporation tax

### 5. Investment in joint ventures

Investment in joint ventures represents the net book value of the Company's investment in Nickelodeon UK Limited, a company registered in England and Wales, comprising of loans and investment in share capital. In the year ended 30 June 2007, following alternation of Nickelodeon UK's articles of association, the company became a Limited company under UK law. Nickelodeon UK is a company which broadcasts a number of children's satellite television channels.

	2010 £'000	2009 £'000
<b>Cost and net book value</b>		
Beginning and end of year	5,527	5,527

At 30 June 2010, the company held 104 "B" shares of 1 pence each, representing 40% (2009 40%) of the issued share capital of Nickelodeon UK Limited.

## Notes to the financial statements

### 6. Trade and other receivables

	2010 £'000	2009 £'000
Amounts receivable from parent Company	35,600	27,600

The Directors consider that the carrying amount of trade and other receivables approximates to fair values

Amounts owed by the parent Company are non-interest bearing and are repayable on demand

### 7 Trade and other payables

	2010 £'000	2009 £'000
Amounts payable to the parent Company	5,527	5,527

The Directors consider that the carrying amount of trade and other payables approximates to fair values

Trade payables principally comprise amounts outstanding for ongoing costs. Trade payables are entirely due to the parent undertaking, Sky Ventures Limited, are repayable on demand and bear no interest.

### 8. Share capital

	2010 £	2009 £
<b>Authorised</b>		
100 (2009: 100) ordinary shares of £1 each	100	100
<b>Allotted, called-up and fully paid</b>		
2 (2009: 2) ordinary shares of £1 each	2	2

## Notes to the financial statements

### 9. Financial risk management objectives and policies

#### Carrying value and fair value

The Company's principal financial instruments comprise trade payables and trade receivables

The accounting classification of each class of the Company's financial assets and financial liabilities, together with their fair values, is as follows

	Loans and receivables	Other liabilities	Total carrying value	Total fair values
	£'000	£'000	£'000	£'000
<b>At 30 June 2010</b>				
Trade and other payables	-	(5,527)	(5,527)	(5,527)
Trade and other receivables	35,600	-	35,600	35,600
<b>At 30 June 2009</b>				
Trade and other payables	-	(5,527)	(5,527)	(5,527)
Trade and other receivables	27,600	-	27,600	27,600

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments

#### Liquidity risk

The Company's financial liabilities are shown in note 7

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows

	Less than 12 months	Between one and two years	Between two and five years	More than 5 years
	£'000	£'000	£'000	£'000
<b>At 30 June 2010</b>				
Trade and other payables	5,527	-	-	-
<b>At 30 June 2009</b>				
Trade and other payables	5,527	-	-	-

## Notes to the financial statements

### 9. Financial risk management objectives and policies

#### Capital Risk Management

The capital structure of the Company consists of equity attributable to equity holders of the parent Company, comprising issued capital, reserves and retained earnings

Risk and treasury management is governed by British Sky Broadcasting Group plc's policies approved by its Board of Directors

### 10 Transactions with related parties

#### a) Major shareholders of BSKyB plc

The Company conducts business transactions with companies that are part of the News Corporation group ("News Corporation"), a major shareholder of BSKyB, the ultimate parent undertaking of the Company

On 15 June 2010 News Corporation announced a proposal relating to a possible offer for the entire issued share capital of BSKyB not already owned by News Corporation ("the Proposal")

BSkyB announced on the same date that the Proposal, which is not a formal offer, is subject to regulatory and financing pre-conditions, which add considerable uncertainty to when and whether any formal offer could be made and that the Independent Directors of BSKyB, who have been so advised by Morgan Stanley and UBS Investment Bank, unanimously considered the terms of the Proposal to undervalue significantly BSKyB

News Corporation has confirmed that the Proposal does not amount to a firm intention to make an offer under Rule 25 of the Takeover Code and that there can be no certainty that any offer will ultimately be made even if the pre-conditions are satisfied or waived. There is no obligation on News Corporation to make such an offer and therefore it can withdraw the Proposal at its sole discretion at any time

Recognising that an offer from News Corporation could be in the interests of the BSKyB's shareholders in the future, and that obtaining any necessary merger clearances would facilitate such an offer, BSKyB has agreed to co-operate with News Corporation in seeking those clearances from the relevant authorities

If merger clearance is not granted or granted subject to a material remedy, then News Corporation will reimburse BSKyB for costs incurred up to a maximum of £20 million. Further, if News Corporation either receives merger clearance unconditionally or subject to non-material remedies prior to 31 December 2011 and fails to make a firm offer within five months thereafter, or announces prior to obtaining merger clearance that it does not intend to make a firm offer, then News Corporation will pay BSKyB a fee of £38.5 million, representing 0.5% of the value of the Proposal

#### b) Key management

The Company has a related party relationship with the Directors of the Company as key management. At 30 June 2010, there were two (2009: two) key managers, both of whom were Directors of the Company. No transactions were performed with the Directors of the Company during the year, see note 3

## Notes to the financial statements

### **10 Transactions with related parties**

#### **c) Transactions with parent company and associate**

For details of amounts owed by and amounts payable to the parent company, see notes 6 and 7

The Company holds 40% of the issued share capital of Nickelodeon UK Limited. Investment income of £8,000,000 (2009: £7,800,000) was receivable from Nickelodeon UK Limited during the year.

The Group's treasury function is responsible for liquidity management across the Group's operations. It is standard practice for the Company to lend and borrow cash to and from the parent Company as required.

Under this policy, British Sky Broadcasting Limited received cash of £8,000,000 (2008: £7,800,000) on behalf of the company during the year.

### **11 Ultimate parent undertaking**

The Company is ultimately controlled by British Sky Broadcasting Group plc ("BSkyB"), a Company incorporated in Great Britain and registered in England and Wales. The only group in which the results of the Company are consolidated is that headed by BSkyB.

The consolidated accounts of the Group are available to the public and may be obtained from the Company Secretary, British Sky Broadcasting Group plc, Grant Way, Isleworth, Middlesex, TW7 5QD.

Sky Ventures Limited is the immediate parent company of Kidsprog Limited.