KIDSPROG LIMITED

Annual report and financial statements
For the year ended 30 June 2016

Registered number 02767224

Directors and Officers
For the year ended 30 June 2016

Directors

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

C R Jones

C J Taylor

K Holmes (appointed 21 October 2016)

Secretary

C J Taylor

Registered office

Grant Way

Isleworth

Middlesex

TW7 5QD

Strategic and Directors' Report

Strategic Report

The Directors present their Strategic and Directors' report on the affairs of the Company, together with the financial statements for the year ended 30 June 2016

The purpose of the Strategic Report is to inform members of the Company and help them assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the Company)

Business review and principal activities

The Company is a wholly-owned subsidiary of Sky Ventures Limited (the immediate parent company) The ultimate parent company is Sky plc ("Sky") and operates as a part of the Sky group ("the Group") The Company is a holding company with no external suppliers and therefore does not have a supplier payment policy

The Company's principal activity is to act as a holding company for an investment in Nickelodeon U K 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 hold the investment in Nickelodeon U K Limited

The accounts for the year ended 30 June 2016 are set out on pages 7 to 17 The profit for the year was £13,600,000 (2015 £12,000,000) The increase in profit during the year was due to the Company receiving greater dividend income from Nickelodeon U K Limited of £13,600,000 compared to £12,000,000 in the prior year Total shareholder's equity increased by £13,600,000 to £50,600,000 from £37,000,000 at the previous year ended 30 June 2015, 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 2016 (2015 £nil)

Key performance indicators (KPIs)

The Group manages its operations on a divisional basis For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the Company

Principal risks and uncertainties

The Company's activities expose it to financial risks, namely credit risk, and liquidity risk The Company is also exposed to risk through the performance of its investments

The Directors do not believe the business is exposed to cash flow risk, price risk, or foreign exchange risk

Financial risk management objectives and policies

The use of financial derivatives is governed by the Group's treasury policy approved by the Board of Directors, which provides written principles on the use of financial derivatives to manage these risks The Company does not use derivative financial instruments for speculative purposes Refer to note 10 for further information

Credit risk

The Company's credit risk is primarily attributable to its trade and receivables and amounts owed from other Group companies An allowance for impairment is made when there is an identified loss event, which based on previous experience, is evidence of a reduction in the recoverability of the cash flows The intercompany balances of the Company are detailed in notes 6 and 7

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 £1 billion revolving credit facility which is due to expire on 30 November 2021 The Company benefits from this liquidity through intra-group facilities and loans

Investment performance risk

The principal risk facing the Company relates to the recoverability of the Company's investment in joint ventures Recovery of these assets is dependent upon the generation of sufficient profits by the joint venture to pay dividends or from the proceeds of sale of such investments, in the event of their disposal The Company reviews the carrying amount of its investments at balance sheet date to determine whether there is any indication of impairment

By Order of the Board,

C. Taylor

C J Taylor
Director

Grant Way
Isleworth
Middlesex
TW7 5QD
20th December 2016

Directors' Report

The Directors who served during the period are shown on page 1 The Directors do not recommend the payment of a dividend (2015 £nil)

The Company has chosen, in accordance with section 414C(11) of Companies Act 2006, to include such matters of strategic importance to the Company in the Strategic Report which otherwise would be required to be disclosed in the Director's report

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 Strategic 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

By Order of the Board,

C. Taylor

C J Taylor
Director

Grant Way
Isleworth
Middlesex
TW7 5QD
20th December 2016

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 Company'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

Unaudited Statement of Comprehensive Income

For the year ended 30 June 2016

	Notes	2016 £'000	2015 £'000
Investment income	2	**13,600**	12,000
Profit before tax	3	**13,600**	12,000
Tax	4	**-**	-
Profit for the year attributable to equity shareholders		**13,600**	12,000

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

For the years ended 30 June 2016 and 30 June 2015, the Company did not have any items of other Comprehensive Income

All results relate to continuing operations

Unaudited Balance Sheet

As at 30 June 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Investment in joint venture	5	**5,527**	5,527
Current assets			
Trade and other receivables	6	**50,600**	37,000
Total assets		**56,127**	42,527
Current liabilities			
Trade and other payables	7	**5,527**	5,527
Total liabilities		**5,527**	5,527
Share capital	8	-	-
Reserves		**50,600**	37,000
Total equity attributable to equity shareholders		**50,600**	37,000
Total liabilities and shareholder's equity		**56,127**	42,527

The accompanying notes are an integral part of this balance sheet

As at 30 June 2016 and 30 June 2015 the Company did not have any cash or cash equivalents Accordingly, no cash flow statement or reconciliation of operating profit to cash flows from operating activities has been prepared

For the year ended 30 June 2016 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

Directors' responsibilities

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476
- the directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

The financial statements of Kidsprog Limited, registered number 02767224, were approved by the Board of Directors on 27th December and were signed on its behalf by

K Holmes
Director
27th December 2016

Unaudited Statement of Changes in Equity

For the year ended 30 June 2016

	Share capital £'000	Retained earnings £'000	Total shareholders' equity £'000
At 30 June 2014	-	25,000	25,000
Profit for the year	-	12,000	12,000
At 30 June 2015	**-**	**37,000**	**37,000**
Profit for the year	-	13,600	13,600
At 30 June 2016	**-**	**50,600**	**50,600**

Unaudited notes to the financial statements

1. Accounting policies

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

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 a going concern basis (as set out in the Directors' Report) and on a historical cost basis, except for the re-measurement to fair value of certain financial assets and liabilities as described in the accounting policies below The Company has adopted the new accounting pronouncements which became effective this period, none of which had any significant impact on the Company's results or financial position

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 30 June in each year In fiscal year 2016, this date was 03 July 2016, this being a 53 week year (fiscal year 2015 28 June 2015, 52 week year) For convenience purposes, the Company continues to date its financial statements as at 30 June The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company

c) Investments in joint venture

Investments are stated at cost, less any provision for 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

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

Unaudited notes to the financial statements

1. Accounting policies (continued)

d) Financial assets and liabilities (continued)

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) and deferred tax (see accounting policy f) 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 or its cash generating unit 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 Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units, and then to reduce the carrying amount of other assets in the unit on a pro-rata basis

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

f) Tax, including deferred tax

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

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the Balance Sheet and the corresponding tax bases used in the computation of taxable profit Temporary differences arising from goodwill and the initial recognition of assets or liabilities that affect neither accounting profit nor taxable profit are not provided for

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the balance sheet date

Unaudited notes to the financial statements

1. Accounting policies (continued)

g) Critical accounting policies and the use of judgement

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 Below is a summary of the Company's critical accounting policies and details of the key areas of judgement that are exercised in their application

The Company's key critical accounting policies are the recoverability of receivables and carrying value of investments

i. Receivables

Judgement is required in evaluating the likelihood of collection of debt, this evaluation requires estimates to be made, including the level of provision to be made for amounts with uncertain recovery profiles

ii. Investments

The Company reviews the carrying amounts of its investment to determine whether there is any indication that the investment has suffered an impairment loss

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 accounting periods beginning on or after 1 July 2016 These new pronouncements are listed below The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods

- Amendments to IFRS 11'Accounting for Acquisitions of Interests in Joint Operations' (effective 1 January 2016)
- Amendments to IAS 1 'Disclosure Initiative' (effective 1 January 2016)
- Amendments to IAS 16 and IAS 28 'Clarification of Acceptable Methods of Depreciation and Amortisation' (effective 1 January 2016)
- Annual Improvements 2012-214 cycle (effective 1 July 2016)
- Amendments to IFRS 10,12 AND IAS 28 'Investment Entities Applying the Consolidation Exception' (effective 1 January 2016)*
- Amendments to IAS 7 'Disclosure Initiative' (effective 1 January 2017)*
- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective 1 January 2017)*
- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)*

  IFRS 15 requires the identification of deliverables in contracts with customers that qualify as 'performance obligations' The transaction price receivable from customers must be allocated between the Group's performance obligations under contracts on a relative stand-alone selling price basis

  Where goods or services sold as part of a bundle are concluded to be 'distinct' performance obligations, revenue allocated to such goods is recognised when control of the goods passes to the customer or as the service is delivered

  IFRS 15 requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised as revenue is recognised under the related contract
- Clarifications to IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)*
- Amendments to IFRS 2 'Share-based Payments' (effective 1 January 2018)*
- IFRS 9 'Financial Instruments' (effective 1 January 2018)*

The standard is expected to impact the classification and measurement of financial instruments and is expected to require certain additional disclosures

- IFRS 16 'Leases' (effective 1 January 2019)*
- IFRS 16 replaces IAS 17 'Leases' and will primarily change lease accounting for lessees, lessor accounting under IFRS 16 is expected to be similar to lease accounting under IAS 17
- Where a contract meets IFRS 16's definition of a lease and where the company acts as a lessee, lease agreements will give rise to the recognition of a non-current asset representing the right to use the leased item and a loan obligation for future lease payables Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability
- * not yet endorsed for use in the EU

Unaudited notes to the financial statements

2. Investment income

	2016	2015
	£'000	£'000
Dividend distribution from joint venture	**13,600**	12,000

Dividends totalling £13,600,000 (2015 £12,000,000) were received in the year from Nickelodeon U K Limited

3. Profit before tax

Employee benefits and key management compensation

There were no staff costs during the year as the Company had no employees (2015 none) Services are provided by employees of other companies within the Group with no charge being made for their services (2015 £nil) The Directors did not receive any remuneration during the year in respect of their services to the Company (2015 £nil)

4. Tax

No tax charge was recognised in the year ended 30 June 2016 (2015 £nil)

Reconciliation of effective tax rate

The tax expense for the year is lower (2015 lower) than the expense that would have been charged using the standard rate of corporation tax in the UK (20%) applied to profit before tax The applicable or substantively enacted effective rate of UK corporation tax for the year was 20% (2015 20 75%) The differences are explained below

	2016	2015
	£'000	£'000
Profit before tax	**13,600**	12,000
Profit before tax multiplied by the blended rate of corporation tax in the UK of 20% (2015 20 75%)	**2,720**	2,490
Effects of		
Non- taxable dividends received	**(2,720)**	(2,490)
Tax	**-**	-

All tax relates to UK corporation tax and is settled by Sky UK Limited on the Company's behalf

Unaudited notes to the financial statements

5. Investment in joint venture

Investment in joint ventures represents the net book value of the Company's investment in Nickelodeon U K Limited, a company registered in England and Wales, comprising of Company loans and investment in share capital Nickelodeon U K Limited is a company which broadcasts a number of children's satellite television channels

	2016	2015
	£'000	£'000
Cost and net book value		
Beginning and end of year	**5,527**	5,527

At 30 June 2016, the Company held 104 "B" shares of £0 01 each, representing 40% (2015 40%) of the issued share capital of Nickelodeon U K Limited The Company accounts for the 40% holding in Nickelodeon UK Limited as an investment in joint venture The investment is held at cost and reviewed for impairment at each balance sheet date

6. Trade and other receivables

	2016	2015
	£'000	£'000
Amounts receivable from immediate parent company	**50,600**	37,000

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

The amounts receivable from the ultimate parent have been assessed to be fully recoverable and as such no other allowances have been recorded

Amounts due from the immediate parent company totalling £50,600,000 (2015 £37,000,000) are non-interest bearing and are repayable on demand

7. Trade and other payables

	2016	2015
	£'000	£'000
Amounts payable to the ultimate parent company	**5,527**	5,527

The Directors consider that the carrying amount of trade and other payables approximates to their fair value Trade payables principally comprise amounts outstanding for the initial investment in Nickelodeon

Amounts due to the ultimate parent company totalling £5,527,000 (2015 £5,527,000) are non-interest bearing and are repayable on demand

Unaudited notes to the financial statements

8. Share capital

	2016	2015
	£	£
Allotted, called-up and fully paid		
2 (2015 2) ordinary shares of £1 each	**2**	2

The Company has one class of ordinary shares which carry equal voting rights and no contractual right to receive payment

9. Derivatives and other financial instruments

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**
At 30 June 2016				
Trade and other payables	**-**	**(5,527)**	**(5,527)**	**(5,527)**
Trade and other receivables	**50,600**	**-**	**50,600**	**50,600**
At 30 June 2015				
Trade and other payables	-	(5,527)	(5,527)	(5,527)
Trade and other receivables	37,000	-	37,000	37,000

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

10. Financial risk management objectives and policies

The Group's Treasury function is responsible for raising finance for the Company's operations, together with associated liquidity management and management of foreign exchange, interest rate and credit risks Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by both the Audit Committee and the Board, which receive regular updates of Treasury activity Derivative instruments are transacted for risk management purposes only It is the Group's policy that all hedging is to cover known risks and no speculative trading is undertaken Regular and frequent reporting to management is required for all transactions and exposures, and the internal control environment is subject to periodic review by the Group's internal audit team

10 Financial risk management objectives and policies (continued)

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 Sky plc's policies approved by its Board of Directors

Credit risk

The Company's maximum exposure to credit risk on trade receivables is the carrying amounts disclosed in note 6

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 The amounts disclosed may not reconcile to the amounts disclosed on the balance sheet for trade and other payables

	Less than 12 months	Between one and two years	Between two and five years	More than 5 years
	£'000	£'000	£'000	£'000
At 30 June 2016				
Trade and other payables	**5,527**	-	-	-
At 30 June 2015				
Trade and other payables	5,527	-	-	-

11 Transactions with related parties

a) Key management

The Company has a related party relationship with the Directors of the Company as key management At 30 June 2016, there were two (2015 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

b) Transactions with parent company

For details of amounts owed by and amounts payable to the parent company, see notes 6 and 7 Movement in trade and other receivables for the year is £13,600,000 and relates to dividend income of £13,600,000 received from Nickelodeon U K Limited For further detail, see note 2

Unaudited notes to the financial statements

11 Transactions with related parties (continued)

c) Transactions with joint ventures

The Company holds 40% of the issued share capital of Nickelodeon U K Limited Investment income of £13,600,000 (2015 £12,000,000) was received from Nickelodeon U K Limited during the year There are no outstanding balances with this entity at year end

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, Sky UK Limited received income of £13,600,000 (2015 £12,000,000) on behalf of the Company during the year This amount appears as an intercompany receivable owed to the company Please refer to note 6 for details of intercompany receivables

12. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of Sky Ventures Limited, a Company incorporated in the United Kingdom and registered in England and Wales The Company is ultimately controlled by Sky plc ("Sky") The only group in which the results of the Company are consolidated is that headed by Sky

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