Wall to Wall Media Limited

Report and Financial Statements

31 December 2014

Directors
C Hungate
N Emmerson
P Campbell-White

Auditor
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Strategic report

The directors present their strategic report for the year ended 31 December 2014.

Review of the business

The company's principal activity during the year continued to be that of television programme production.

The key financial and other performance indicators during the year were as follows:

	2014	Restated 2013	*Change*
	£'000	£'000	%
Turnover	40,949	36,537	*12%*
Gross profit	7,083	8,231	*(14%)*
Operating profit	2,574	4,395	*(41%)*
Profit after tax	2,133	5,069	*(58%)*
Equity shareholder' funds	11,617	9,484	*22%*
Average number of employees	158	140	*13%*
Hours produced	108	95	*14%*
Number of productions	22	19	*16%*

Turnover increased by 12% during the year primarily due to the increased number of titles delivered in the year.

The reduction in gross profit of 14% is primarily due to a reduction in sales of intellectual property, which has a higher margin than programme sales.

Profit after tax reduced by 58% primarily due to a reduction of dividend income from investments.

The average number of employees increased by 14% during the year. This was mainly due to the number of productions increasing from 19 to 22.

Principal risks and uncertainties

The company uses various financial instruments which include cash, trade debtors, trade creditors and amounts due to group undertakings that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The principal risks and uncertainties facing the company are broadly grouped as – competitive, legislative and financial instrument risk.

Strategic report (continued)

Principal risks and uncertainties (continued)

Competitive risk

The company is reliant on certain major broadcasters for commissions, although the Production market is a competitive one the directors consider the relationships the company has with the broadcasters along with our brands and reputation enable the company to maintain an edge over our competitors.

A general market trend is towards the broadcasters tightening production budgets with increasing instances of them seeking for Production companies to deficit finance programmes. The scale of the Shed group of companies along with the relationship with Warner Bros distribution enables the company to mitigate this risk.

Legislative risk

The company is subject to non-sector specific government legislation such as the 2014 auto-enrolment pension legislation, which as it does in any industry impacts already constrained margins.

Sector specific legislation has however been supportive in recent years as evidenced by the film tax credit legislation and the directors consider this is likely to continue.

Financial instrument risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The company's policy throughout the year has been to achieve this objective through regular cash flow forecasting and review. The company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises, therefore, from trade debtors.

Despite debtors being major international broadcast organisations, debtors are reviewed by the financial controller, financial director and the board on a regular basis through a monthly assessment of the funding due on productions underway and in conjunction with debt ageing and collection history.

The company's key financial risk is in foreign currency exposure, both in terms of the cost of producing programmes on overseas shoots and in income received from overseas co-producers. The uncertain nature of the timing of receipts (due to their tendency to be tied to flexible delivery milestones) makes it risky to take out explicit hedging contracts against these risks. As such, the company agreed wherever possible to contractual rates in advance of the start of production and maintains Sterling, Euro and US$ balances within its bank facilities to fund costs where advantageous.

By order of the board

P Campbell-White
Director
15 December 2015

Registered No. 04207414

Directors' report

The directors present their report and financial statements for the year ended 31 December 2014.

Directors

The directors who served the company during the year were as follows:

C Hungate
T Downing (resigned 31 December 2014)
N Southgate (resigned 23 October 2014)
P Campbell-White (appointed 8 April 2015)
N Emmerson (appointed 8 April 2015)

Dividends

The directors do not recommend a final dividend (2013 – £3,100,000).

Future developments

In future periods the company will continue to produce television programming and receive receipts from international sales.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position and its exposures to credit, liquidity and currency risk are described in the Strategic Report on pages 2 to 3.

The company has considerable financial resources together with strong relationships with a number of large broadcasters covering different genres. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Financial instruments

Details of financial instruments are provided in the strategic report on page 3.

Directors' liabilities

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Directors' report (continued)

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

On behalf of the Board

P Campbell-White
Director
15 December 2015

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' 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). 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, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; 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 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.

Independent auditor's report

to the members of Wall to Wall Media Limited

We have audited the financial statements of Wall to Wall Media Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report (continued)

to the members of Wall to Wall Media Limited

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.

Ernst & Young LLP

Neil Cullum (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

15 December 2015

Profit and loss account

for the year ended 31 December 2014

	Notes	2014 £000	Restated 2013 £000
Turnover	2	40,949	36,537
Cost of sales		(33,866)	(28,306)
Gross profit		7,083	8,231
Administrative expenses		(4,509)	(3,836)
Operating profit	3	2,574	4,395
Income from investments	6	-	1,700
Interest receivable	7	-	-
Profit on ordinary activities before taxation		2,574	6,095
Tax	8	(441)	(1,026)
Profit for the financial year	17	2,133	5,069

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 31 December 2014

	Note	2014 £	Restated 2013 £
Profit for the financial year		2,133	5,069
Total recognised gains relating to the year		2,133	5,069
Prior year adjustment	18	(6,133)	
Total recognised gains and losses since last annual report		(4,000)	

Balance sheet

at 31 December 2014

	Notes	2014 £000	Restated 2013 £000
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	-	-
Investments	13	1	1
		1	1
Current assets			
Work in progress	9	7,786	13,231
Debtors	14	16,594	10,321
Cash at bank and in hand		7,252	10,341
		31,632	33,893
Creditors: amounts falling due within one year	15	(20,016)	(24,410)
Net current assets		11,616	9,483
Total assets less current liabilities		11,617	9,484
Provisions: amounts falling due after one year	8(c)	-	-
Net assets		11,617	9,484
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account	17	11,617	9,484
Shareholders' funds	17	11,617	9,484

P Campbell-White
Director
15 December 2015

Notes to the financial statements

at 31 December 2014

1. Accounting policies

Basis of preparation

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

Following the 100% acquisition by Warner Bros. International Television Production Limited of Warner Bros. Television Production UK Limited and its subsidiaries with effect from 31 December 2013, the directors have reviewed the accounting policies in respect of revenue and the related television programme rights and have sought to align these with the rest of the Time Warner Inc. group. Accordingly the accounting policies have changed from recognising revenue on the stage of completion method to recognition on an episodic delivery basis, with production costs no longer capitalised as television programme rights within fixed assets but instead expensed upon delivery of related episodes. Production costs of undelivered episodes are held as work in progress within current assets. See further details in note 18 of the impact of this change on numbers previously reported.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Group financial statements

The company is a majority-owned subsidiary of Warner Bros. International Television Production Limited and is included in the group financial statements of Time Warner Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing group financial statements under section 400 of the Companies Act 2006.

Statement of cash flows

The company has taken advantage of the exemption within FRS 1 – Statement of Cash Flows, for subsidiaries with 90% or more of the voting rights controlled within the group, and has not presented a statement of cash flows.

Intangible fixed assets and amortisation

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Trademarks	–	25% straight-line basis

Turnover

Turnover represents amounts receivable for work carried out in producing television programmes and distribution income on licensing formats and completed programmes available to third parties.

Production income is recognised on episodic delivery of programmes in the period.

Distribution income represents licence fees receivable from both Time Warner group companies and third parties. Amounts recognised in the profit and loss account include withholding tax but exclude Value Added Tax. Distribution income is recognised based on statements received from distributors.

Work in progress

Work in progress represents production costs associated to undelivered episodes and is stated at the lower of cost and net realisable value.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Computer equipment	–	33% straight-line basis
Edit suite equipment	–	20% straight-line basis

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Fixed asset investments are stated at cost less any provision for diminution in value.

The carrying value of the investments are reviewed for impairment at least annually or if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Development assets

Development expenditure represents costs incurred in developing new programmes, including writing scripts and producing initial formats for presentation to broadcasters. Expenditure is written off as incurred, except in cases where there is reasonable certainty that the project is technically feasible, commercially viable and adequate resources exist, or are reasonably expected to be available, to enable the project to be completed.

Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity. An analysis of turnover by geographical market is given below:

	2014	Restated 2013
	£000	£000
United Kingdom	35,074	30,629
Rest of world	5,875	5,908
	40,949	36,537

Notes to the financial statements

at 31 December 2014

3. Operating profit

This is stated after charging/(crediting):

	2014 £000	Restated 2013 £000
Depreciation of owned tangible fixed assets	-	21
Foreign exchange	(170)	79

Auditor's remuneration for the current and prior year was borne by the company's intermediate parent, Warner Bros. Television Production UK Limited..

4. Directors' remuneration

The directors are also directors of other companies in the group. They are remunerated by other group companies and are considered to have minimal qualifying services in respect of the company. In view of this, the directors do not consider it practical to apportion remuneration in respect of services to the company.

5. Staff costs

	2014 £000	2013 £000
Wages and salaries	5,135	5,255
Social security costs	511	573
Defined contribution pension costs	15	35
	5,661	5,863

The average monthly number of employees during the year was made up as follows:

	No.	No.
Production	125	108
Administration	33	32
	158	140

Notes to the financial statements

at 31 December 2014

6. Investment income

	2014	*2013*
	£000	*£*
Dividends received during the year	-	1,700

7. Interest receivable

	2014	*2013*
	£000	*£000*
Loan interest credit	-	-

The credit to loan interest in 2012 is a result of reversing accrued intercompany interest on the 2011 balance sheet. This interest is no longer payable.

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

		Restated
	2014	*2013*
	£000	*£000*
Current tax:		
UK corporation tax on the profit for the year	(230)	980
Group relief payments	-	295
Tax over provided in previous years	(45)	(20)
Total current tax (note 8(b))	(275)	1,255
Deferred tax:		
Origination and reversal of timing differences	716	(319)
Charge due to change in tax rate	-	89
Total deferred tax (note 8(c))	716	(229)
Tax on profit on ordinary activities	441	1,026

Notes to the financial statements

at 31 December 2014

8. Tax (continued)

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

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 21.5% (2013 - 23.25%). The current tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	2014 £000	Restated 2013 £000
Profit on ordinary activities before tax	2,574	6,095
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%)	553	1,417
Effects of:		
Expenses not deductible for tax purposes	3	3
Capital allowances in excess of depreciation	(6)	(3)
Tax overprovided in previous years	(45)	(20)
Rate change impact on loss carry back	(17)	-
Investment income not taxable	-	(395)
Accelerated film relief	(63)	(82)
Group relief received for nil consideration	-	(133)
Other timing differences	(700)	468
Current tax for the year (note 8(a))	(275)	1,255

(c) Deferred tax

	2014 £000	Restated 2013 £000
Deferred tax is provided at 20% (2013 - 20%) in the balance sheet as follows:		
Included in debtors	288	1,004
Analysed as:		
Accelerated capital allowances	24	30
Accelerated film relief	264	323
Short-term timing differences	-	651
Deferred tax asset	288	1,004

Notes to the financial statements

at 31 December 2014

8. Tax (continued)

	£000
Analysis of movement in Deferred tax asset:	
Deferred tax liability at start of period as originally stated	523
Prior year adjustment – change in accounting policy	(1,527)
Restated deferred tax balance (asset) at start of period	(1,004)
Charged to profit and loss account	716
Deferred tax asset at end of period	(288)

(d) Factors that may affect future tax charges

The Finance Act 2013 included legislation to reduce the main rate of corporation tax from 21% to 20% from 1 April 2015. The effect of this change on the deferred tax balances has been included in the figures within these accounts.

The Finance (No. 2) Act 2015, which was enacted on 18 November 2015, included two changes to the future mainstream corporation tax rate. From 1 April 2017 the rate will reduce from 20% to 19% and from 1 April 2020 the rate will reduce further to 18%. As the rate changes were not substantively enacted at the Balance Sheet date, they are not reflected in the figures in these accounts. It is estimated that the impact on deferred tax as a result of these proposed rate changes is a reduction in the balance of approximately £30,000.

It is not yet possible to quantify the impact of this rate change upon current tax.

9. Work in progress

	2014	Restated 2013
	£	£
Programme production costs	7,786	13,231

10. Dividends

	2014	2013
	£'000	£'000
Dividend paid per £1 share (2013 – £: £1,550,000)	-	3,100

11. Intangible assets

The company holds trademarks which had a net book value of zero at 1 January 2014 and 31 December 2014.

Notes to the financial statements

at 31 December 2014

12. Tangible fixed assets

	Computer and edit suite equipment
	£000
Cost:	
At 1 January 2014 and 31 December 2014	470
Depreciation:	
At 1 January 2014	470
Charge for the year	-
At 31 December 2014	470
Net book value:	
At 31 December 2014	-
At 1 January 2014	-

13. Investments

	Subsidiary undertakings
	£000
Cost:	
At 1 January 2014	1
Additions	-
At 31 December 2014	1

At 31 December 2014 the company held 100% of the equity of the following companies:

Name of company	*Class of shares*	*Principal activity*	*Country of incorporation*
Wall to Wall (New Tricks) Limited	Ordinary £1 shares	TV production	England and Wales

14. Debtors

	2014	*Restated 2013*
	£000	*£000*
Trade debtors	281	1,237
Amounts owed by group undertakings	6,988	5,614
Amounts owed by associated undertakings	6,222	-
Other debtors	148	792
Development assets	278	482
Corporation tax	473	-
Deferred tax	288	1,003
Prepayments and accrued income	1,916	1,193
	16,594	10,321

Notes to the financial statements

at 31 December 2014

15. Creditors: amounts falling due within one year

	2014 £000	*Restated* 2013 £000
Trade creditors	248	577
Amounts owed to group undertakings	967	2,413
Corporation tax	-	961
Group relief payable	209	294
Other taxes and social security costs	906	1,503
Other creditors	1,988	420
Accruals and deferred income	15,698	18,242
	20,016	24,410

16. Issued share capital

Allotted, called up and fully paid	*No.*	*2014 £000*	*No.*	*2013 £000*
Ordinary shares of £1 each	2	–	2	–

17. Movements on reserves

	Profit and loss account £'000
At 1 January 2013 as previously stated	11,429
Prior year adjustment (notes 1 and 18)	(3,914)
At 1 January 2013 as restated	7,515
Profit for the year restated	5,069
Dividends paid	(3,100)
At 1 January 2014 as restated	9,484
Profit for the financial year	2,133
At 31 December 2014	11,617

Notes to the financial statements

at 31 December 2014

18. Reconciliation of shareholders' funds

	2014	Restated 2013
	£	£
Profit for the financial year	2,133	5,069
Net increase in shareholders' funds	2,133	5,069
Opening shareholders' funds	9,484	4,415
Closing shareholders' funds	11,617	9,484

As explained in note 1, in 2014 the group changed its accounting policy in relation to revenue and the related television programme rights. The table below sets out the impact of the change in accounting policy on 2013 comparatives.

	Original financial statements	*Adjustments*	*Restated financial statements*
	£000	*£000*	*£000*
Profit and loss account			
Revenue	42,729	(6,192)	36,537
Cost of sales	(31,913)	3,607	(28,306)
Tax charge for the year	(1,392)	366	(1,026)
Profit for the financial year	7,288	(2,219)	5,069
Balance sheet			
Television programme rights	5,257	(5,257)	-
Work in progress	-	13,231	13,231
Debtors (restatement relating to accrued income and deferred tax)	13,005	(2,684)	10,321
Creditors (restatement relating to deferred income)	(12,464)	(11,946)	(24,410)
Deferred tax	(523)	523	-
Opening shareholders' funds	11,429	(3,914)	7,515
Profit for the year	7,288	(2,219)	5,069
Dividends	(3,100)	-	(3,100)
Closing shareholders' funds	15,617	(6,133)	9,484

Notes to the financial statements

at 31 December 2014

19. Related party transactions

The company has taken advantage of the exemption conferred by FRS 8 from the requirements to disclose details of transactions with other wholly owned group companies. Other than transactions with group companies, there were no related party transactions during the year.

20. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Wall to Wall (Holdings) Limited, a company incorporated in England and Wales.

At 31 December 2014, Time Warner Inc., a company incorporated in the United States of America, was the ultimate parent undertaking, the controlling party and the parent undertaking of the smallest and largest group of undertakings of which the company is a member and for which group financial statements are drawn up. Copies of Time Warner Inc.'s financial statements can be obtained from One Time Warner Centre, New York, NY 10019, USA.