

Twenty Twenty Brighton Limited

Report and Financial Statements

31 December 2011

TUESDAY



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COMPANIES HOUSE

Company Registration Number 04686860 (England & Wales)

Directors

T Carter

C Hungate

N Southgate

J Kemp – resigned 2nd March 2012

Secretary

C Hungate

Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF

Bankers

Barclays Bank Plc

27 Soho Square

London W1D 3QR

Registered Office

Pacific House

126 Dyke Road

Brighton

East Sussex BN1 3TE

Directors' report

The directors present their report and financial statements for the year ended 31 December 2011

Results and dividends

The profit for the year after taxation amounted to £388,518 (2010 – profit of £167,064) The directors do not recommend a final dividend (2010 – £nil)

Principal activities and review of the business

The principal activity of the company continued to be that of current affairs and drama television programme makers

Key performance indicators

The principal performance measures used to monitor the business are

- i) Sales Sales increased by 89.6% on an annualised basis
- ii) Gross margin Gross margin remained 34.3% (2010 – 34.3%)
- iii) Operating profit margin The operating profit margin decreased to 32.6% (2010 – 33.4%)

Future developments

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

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 main risks arising from the company's financial instruments are liquidity risk, credit risk and currency risk.

Liquidity 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.

Directors' report (continued)

Principal risks and uncertainties (continued)

Credit risk

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.

Currency risk

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.

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.

Directors

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

T Carter

C Hungate

N Southgate

J Kemp – resigned 2nd March 2012

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 make 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.

Approved by the Board of Directors and signed on its behalf by

Tim Carter (Director)

3rd August 2012



Statement of directors' responsibilities

The directors are responsible for preparing 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 Twenty Twenty Brighton Limited

We have audited the financial statements of Twenty Twenty Brighton Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 16. 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 4, 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. 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 2011 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report

to the members of Twenty Twenty Brighton 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

3/8/2012.

Profit and loss account

for the year ended 31 December 2011

| | Notes | 2011 £ | 2010 £ |
|--|-------|------------------|------------------|
| Turnover | 2 | 1,323,342 | 698,014 |
| Cost of sales | | <u>(869,520)</u> | <u>(458,561)</u> |
| Gross profit | | 453,822 | 239,453 |
| Administrative expenses | | <u>(22,608)</u> | <u>(6,583)</u> |
| Operating profit | 3 | 431,214 | 232,870 |
| Interest payable and similar charges | 6 | <u>(524)</u> | <u>(32)</u> |
| Profit on ordinary activities before taxation | | 430,690 | 232,838 |
| Tax | 7 | <u>(42,172)</u> | <u>(65,774)</u> |
| Profit for the financial year | 12 | <u>388,518</u> | <u>167,064</u> |

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 31 December 2011

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £388,518 in the year ended 31 December 2011 (2010 – profit of £167,064)

Twenty Twenty Brighton Limited

Balance sheet

at 31 December 2011

| | Notes | 2011 £ | 2010 £ |
|--|-------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 8 | 168,688 | - |
| Current assets | | | |
| Debtors | 9 | 443,460 | 355,736 |
| Cash at bank and in hand | | 311,212 | (1,319) |
| | | <u>754,672</u> | <u>354,417</u> |
| Creditors amounts falling due within one year | 10 | (227,457) | (89,204) |
| Net current assets | | <u>527,215</u> | <u>265,213</u> |
| Total assets less current liabilities | | <u>695,903</u> | <u>265,213</u> |
| Provision for liabilities | | | |
| Deferred tax | 14 | (42,172) | - |
| Net assets | | <u>653,731</u> | <u>265,213</u> |
| Capital and reserves | | | |
| Called up share capital | 11 | 80 | 80 |
| Profit and loss account | 12 | 653,651 | 265,133 |
| Shareholders' funds | 13 | <u>653,731</u> | <u>265,213</u> |

The financial statements were approved by the Board of Directors and signed on behalf of the Board by



Tim Carter (Director)

3rd August 2012

Notes to the financial statements

at 31 December 2011

1. Accounting policies

Basis of preparation

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

Statement of cash flows

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

Turnover

Turnover represents amounts receivable for work carried out in producing television programmes and is recognised on the basis of the value of costs related to production activity. Turnover also includes sums receivable from the exploitation of programmes in which the company owns rights. Gross profit on production activity is recognised based upon the stage of completion of the production and in accordance with the underlying contract.

For distribution income the amount recognised in the profit and loss account represents the value of the licence fees including withholding tax but excluding Value Added Tax. Revenue is recognised when the following criteria are met: persuasive evidence of an arrangement exists, the programme is complete in accordance with the terms of the arrangement, the arrangement fee is fixed or determinable, collection of the arrangement is reasonably assured and the material has been delivered to the licensee.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Fixtures, fittings and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings and equipment – 20–33 3% straight line

Programme assets are stated at cost less depreciation. Depreciation is provided on the assets in accordance with the income forecast method whereby depreciation is taken to the profit and loss account on a pro rata basis, calculated as the income received in the accounting period as a proportion of the expected revenue over the life of the programme.

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.

Exemption from filing group accounts

The financial statements present information about the company as an individual undertaking and not about its group, as the company has taken advantage of the exemption provided under section 400 of the Companies Act 2006, as it is a subsidiary undertaking of Time Warner Holdings, a company incorporated in England and Wales and is included on the group financial statements of that company.

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.

Notes to the financial statements

at 31 December 2011

1. Accounting policies (continued)

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

2. Turnover

The company's turnover and profit on ordinary activities before taxation were derived from its principal activity wholly undertaken in the United Kingdom

3. Operating profit

This is stated after charging

| | 2011 £ | 2010 £ |
|---|-----------|-----------|
| Salary (inc NIC) | 16,225 | - |
| Auditor's remuneration – audit services | - | 6,285 |
| Telephone and fax | - | 241 |
| Other charges | 83 | - |

The auditor's remuneration in the current year was borne by Shed Media Group Limited

4. Directors' remuneration

The directors received no remuneration from the company in the year (2010 – £nil) The directors were remunerated by other group companies, in the opinion of the directors, it is not practicable to apportion their remuneration between qualifying services to the company and services to the rest of the group

5. Staff costs

| | 2011 £ | 2010 £ |
|-----------------------|-----------|-----------|
| Wages and salaries | 14,750 | - |
| Social security costs | 1,475 | - |
| | 16,225 | - |

Notes to the financial statements

at 31 December 2011

5. Staff costs (continued)

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

| | <i>No</i> | <i>No</i> |
|---------------------------|-----------|-----------|
| Office and administration | 1 | - |
| Production | - | - |
| | <u>1</u> | <u>-</u> |

6. Interest payable and similar charges

| | <i>2011</i> | <i>2010</i> |
|-----------------------|-------------|-------------|
| | <i>£</i> | <i>£</i> |
| Bank interest payable | <u>524</u> | <u>32</u> |

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

| | <i>2011</i> | <i>2010</i> |
|--|---------------|---------------|
| | <i>£</i> | <i>£</i> |
| Current tax | | |
| UK corporation tax payable at 26.5% (2010 - 28%) | - | 65,774 |
| Total current tax (note 7(b)) | <u>-</u> | <u>65,774</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 44,702 | - |
| Credit due to change in tax rate | (2,530) | - |
| Total deferred tax (note 14) | <u>42,172</u> | <u>-</u> |
| Tax on profit on ordinary activities | <u>42,172</u> | <u>65,774</u> |

Notes to the financial statements

at 31 December 2011

7. Tax (continued)

(b) Factors affecting the current tax on profit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26.5% (2010 – 28%). The differences are explained below

| | 2011 £ | 2010 £ |
|--|-----------|-----------|
| Profit on ordinary activities before tax | 430,690 | 232,838 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 – 28%) | 114,133 | 65,195 |
| <i>Effects of</i> | | |
| Transfer pricing adjustment | - | 579 |
| Accelerated film relief | (44,702) | - |
| Group relief received for nil consideration | (69,431) | - |
| Current tax for the year (note 7(a)) | - | 65,774 |

(c) Factors affecting future tax changes

A number of changes to the UK corporation tax system were announced in the June 2010, March 2011 and March 2012 Budget statements. The Finance Act 2011, enacted in July 2011, included legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012. The effect of this change on the deferred tax balances has been included in the figures within these financial statements.

A further 1% reduction in the rate, to 24% from 1 April 2012, was substantively enacted via Resolution in March 2012 and a reduction of a further 1% to a rate of 23%, effective from 1 April 2013, was substantively enacted in July 2012. As these changes were substantively enacted after the balance sheet date, they are not reflected in the figures within these accounts. A change to the rate is proposed to reduce the rate by a further 1% to 22% from 1 April 2014, but this change has not yet been substantively enacted and is not therefore included in the figures within these accounts. We estimate the impact upon deferred tax as a result of these changes to be a reduction in the balance of approximately £5,060 over the forthcoming two years. It is not yet possible to quantify the impact of these rate changes upon current tax.

Notes to the financial statements

at 31 December 2011

8. Tangible fixed assets

| | <i>Programme assets</i> | <i>Fixtures, fittings and equipment</i> | <i>Total</i> |
|---------------------|-----------------------------|---|--------------|
| | £ | £ | £ |
| Cost | | | |
| At 1 January 2011 | – | – | – |
| Additions | 173,385 | – | 173,385 |
| At 31 December 2011 | 173,385 | – | 173,385 |
| Depreciation | | | |
| At 1 January 2011 | – | – | – |
| Charge for the year | 4,697 | – | 4,697 |
| At 31 December 2011 | 4,697 | – | 4,697 |
| Net book value | | | |
| At 31 December 2011 | 168,688 | – | 168,688 |
| At 1 January 2011 | – | – | – |

9. Debtors

| | <i>2011</i> | <i>2010</i> |
|-------------------------------------|----------------|----------------|
| | £ | £ |
| Trade debtors | – | 86,134 |
| Amounts due from group undertakings | 198,679 | 265,092 |
| Accrued income | 244,781 | 4,510 |
| | <u>443,460</u> | <u>355,736</u> |

10. Creditors: amounts falling due within one year

| | <i>2011</i> | <i>2010</i> |
|---------------------------------------|----------------|---------------|
| | £ | £ |
| Accruals and deferred income | 158,244 | 7,916 |
| Other taxes and social security costs | 68,963 | 8,309 |
| Trade creditors | 250 | – |
| Amounts owing to group undertaking | – | 72,979 |
| | <u>227,457</u> | <u>89,204</u> |

Notes to the financial statements

at 31 December 2011

11. Issued share capital

| | 2011 | | 2010 | |
|---|-----------|----------|-----------|----------|
| <i>Allotted, called up and fully paid</i> | <i>No</i> | <i>£</i> | <i>No</i> | <i>£</i> |
| Ordinary shares of £1 each | 80 | 80 | 80 | 80 |

12. Movements on reserves

| | <i>Profit and loss account</i> |
|-------------------------------|------------------------------------|
| | <i>£</i> |
| At 1 January 2011 | 265,133 |
| Profit for the financial year | 388,518 |
| At 31 December 2011 | 653,651 |

13. Reconciliation of shareholders' funds

| | 2011 | 2010 |
|-----------------------------------|---------|---------|
| | £ | £ |
| Profit for the financial year | 388,518 | 167,064 |
| Net profit to shareholders' funds | 388,518 | 167,064 |
| Opening shareholders' funds | 265,213 | 98,149 |
| Closing shareholders' funds | 653,731 | 265,213 |

14. Provisions for liabilities

Provision for deferred tax has been made as follows

| | 2011 | 2010 |
|--|--------|------|
| | £ | £ |
| Accelerated film relief | 42,172 | — |
| | 42,172 | — |
| At 1 January 2011 | — | — |
| Deferred tax in profit and loss account for the year | 42,172 | — |
| At 31 December 2011 | 42,172 | — |

15. Related party transactions

The company has taken advantage of the exemption conferred by FRS 8 from the requirements to disclose details of transactions with group companies

Notes to the financial statements

at 31 December 2011

Other than transactions with group companies, there were no related party transactions during the year

16. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Twenty Twenty Productions Limited a company registered in England and Wales

Time Warner Holdings Limited is the parent undertaking of the smallest group of undertakings of which the company is a member and for which group financial statements are drawn up Time Warner Holdings Limited is registered in England and Wales and copies of its financial statements can be obtained from the Registrar of Companies in Cardiff

At 31 December 2011, 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 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