Twenty Twenty Brighton Limited

Report and Financial Statements

31 December 2012

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COMPANIES HOUSE

Company Registration Number 04686860 (England & Wales)

Directors
T Carter
C Hungate– appointed 2nd March 2012
N Southgate
N Powell
S Whittaker

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 2012

Results and dividends

The profit for the year after taxation amounted to £430,722 (2011 – profit of £388,518) The directors do not recommend a final dividend (2011 – £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 growth Sales increased by 37 1% on an annualised basis

ii) Gross margin Gross margin increased to 36 5% (2011 – 34 3%)

iii) Operating profit margin The operating profit margin decreased to 26 5% (2011 – 32 6%)

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 – appointed 2nd March 2012
N Southgate
N Powell
S Whittaker
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

Tim Carter 26/9/13

Tim Carter

Director

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 2012 which comprise the Profit and Loss account, Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 15 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 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 2012 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 (CONTINUED)

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
27/9/2013

Profit and loss account

for the year ended 31 December 2012

	Notes	2012 £	2011 £
Turnover	2	1,814,672	1,323,342
Cost of sales		(1,152,669)	(869,520)
Gross profit		662,003	453,822
Administrative expenses		(181,192)	(22,608)
Operating profit	3	480,811	431,214
Interest receivable/(payable)	6	36	(524)
Profit on ordinary activities before taxation		480,847	430,690
Tax	7	(50,125)	(42,172)
Profit for the financial year	13	430,722	388,518

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 31 December 2012

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £430,722 in the year ended 31 December 2012 (2011 – profit of £388,518)

Balance sheet

at 31 December 2012

	Notes	2012 £	2011 - Restated £
Fixed assets			
Television programme rights	8	401,292	168,688
Current assets			
Debtors	9	739,431	443,460
Cash at bank and in hand		219,628	311,212
		959,059	754,672
Creditors amounts falling due within one year	10	(183,601)	(227,457)
Net current assets		775,458	527,215
Total assets less current liabilities		1,176,750	695,903
Provisions for liabilities	7(c)	(92,297)	(42,172)
Net assets		1,084,453	653,731
Capital and reserves			
Called up share capital	11	80	80
Profit and loss account	12	1,084,373	653,651
Shareholder's funds	13	1,084,453	653,731

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

Tim Carter

Director

Date 26 09 2013

Company Registration Number 04686860

Notes to the financial statements

at 31 December 2012

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

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

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

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

Change in presentation of fixed assets

Television programme rights, which were previously presented within tangible fixed assets as 'Film assets' are now presented separately within fixed assets, as the directors believe this better reflects the nature of these assets Comparative information has been adjusted accordingly There has been no change to the method of depreciation of these assets, and there was no effect on the profit and loss account or brought forward reserves for either financial year presented in these financial statements

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 -

Fixtures, fittings and equipment	33% straight line per annum
Computer equipment	33% straight line per annum
Production editing equipment	20% straight line per annum
Leasehold improvements	10% straight line per annum

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

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Television programme rights

Television programme rights are stated at cost less accumulated depreciation and accumulated impairment losses

Depreciation is provided 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 in relation to the expected revenue over the life of the programme

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

	2012	*2011*
	£	£
Salary (inc NIC)	371,014	111,838
Depreciation of television programme rights	77,913	4,697

Auditor's remuneration for the current year was borne by Shed Media Group Limited

4. Directors' remuneration

The directors are also directors of other companies in the group They are remunerated by other group companies and are not considered to have qualifying services in respect of the company

Notes to the financial statements

at 31 December 2012

5. Staff costs

	2012	*2011*
	£	*£*
Wages and salaries	336,214	101,048
Social security costs	34,800	10,790
	371,014	111,838

The prior year comparatives have been restated to include staff costs that were charged from Twenty Twenty Productions Limited The value of the restatement is £95,613

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

	No	*No*
Office and administration	1	1
Production	7	3
	8	4

6 Interest receivable/(payable)

	2012	*2011*
	£	*£*
Bank interest receivable/(payable)	36	(524)

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2012	*2011*
	£	*£*
Deferred tax		
Origination and reversal of timing differences	58,151	44,702
Credit due to change in tax rate	(8,026)	(2,530)
Total deferred tax (note 7(c))	50,125	42,172
Tax on profit on ordinary activities	50,125	42,172

Notes to the financial statements

at 31 December 2012

7. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24 5% (2011 – 26 5%) The differences are explained below

	2012	*2011*
	£	*£*
Profit on ordinary activities before tax	480,847	430,690
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 – 26 5%)	117,808	114,133
Effects of		
Accelerated film relief	(56,988)	(44,702)
Group relief received for nil consideration	(60,820)	(69,431)
Current tax for the year (note 7(a))	–	–

(c) Deferred tax

Provision for deferred tax at 23% (2011 – 25%) has been made as follows

	2012	*2011*
	£	*£*
Accelerated film relief	92,297	42,172
	92,297	42,172

At 1 January 2012	42,172
Deferred tax in profit and loss account for the year	50,125
At 31 December 2012	92,297

(d) Factors affecting future tax changes

The Finance Act 2012, enacted in July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 The effect of this change on the deferred tax balances has been included in the figures within these accounts

A further change to the rate was proposed in The Finance Act 2013, enacted in July 2013, to reduce the rate by a further 2% to 21% from 1 April 2014 and to 20% from 1 April 2015 As these changes were substantively enacted after the balance sheet date, they are not included in the figures within these accounts We estimate the impact upon deferred tax as a result of this change to be a reduction in the balance of approximately £12,000 over the next two years It is not yet possible to quantify the impact of this rate change upon current tax

Notes to the financial statements

at 31 December 2012

8. Television programme rights

	£
Cost	
At 1 January 2012 (restated)	173,385
Additions	310,517
At 31 December 2012	483,902
Depreciation	
At 1 January 2012 (restated)	4,697
Charge for the year	77,913
At 31 December 2012	82,610
Net book value	
At 31 December 2012	401,292
At 1 January 2012	168,688

9. Debtors

	2012	*2011*
	£	£
Trade debtors	1,510	–
Amounts due from group undertakings	619,580	198,679
Prepayments and accrued income	118,341	244,781
	739,431	443,460

10. Creditors: amounts falling due within one year

	2012	*2011*
	£	£
Accruals and deferred income	104,198	158,244
Other taxes and social security costs	79,403	68,963
Trade creditors	–	250
	183,601	227,457

11. Issued share capital

		2012		*2011*
Allotted, called up and fully paid	*No*	£	*No*	£
Ordinary shares of £1 each	80	80	80	80

Notes to the financial statements

at 31 December 2012

12. Movements on reserves

	Profit and loss account
	£
At 1 January 2012	653,651
Profit for the financial year	430,722
At 31 December 2012	1,084,373

13 Reconciliation of shareholders' funds

	2012	*2011*
	£	*£*
Profit for the financial year	430,722	388,518
Net profit to shareholder's funds	430,722	388,518
Opening shareholder's funds	653,731	265,213
Closing shareholder's funds	1,084,453	653,731

14 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

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

15. 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 2012, 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