

Outright Distribution Limited

DIRECTORS' REPORT AND ACCOUNTS

Year ended 31 December 2008

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COMPANIES HOUSE

Company Registration Number: 4840749

Outright Distribution Limited

COMPANY INFORMATION

DIRECTORS

C J Bonney
D J Asher
D J Monaghan
J M Kemp
T I McClelland
N Southgate
C Street

SECRETARY

D J Asher

COMPANY NUMBER

4840749

REGISTERED OFFICE AND BUSINESS ADDRESS

2 Holford Yard
London, WC1X 9HD

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

BANKERS

Barclays Bank Plc
27 Soho Square
London W1A 4WA

Outright Distribution Limited

DIRECTORS' REPORT

for the year ended 31 December 2008

The directors present their report and the financial statements of Outright Distribution Limited for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the distribution of television programmes.

BUSINESS REVIEW

The profit after taxation for the year to 31 December 2008 amounted to £ 633,385 (18 months ended 31 December 2007: £ 142,175).

KEY PERFORMANCE INDICATORS

The principal performance measures used to monitor the business are:

- i) Number and quality of programme hours available for distribution. This was significantly increased by the addition of programming from other group companies.
- ii) Sales growth. Sales grew 101% on an annualised basis reflecting the increase in programming available and a large growth in sales of finished episodes.
- iii) Gross margin. The competitive market place and increasing number of sales of finished programmes, as opposed to formats resulted in gross margins reducing to 27.5% (2007 18 months: 27.7%).
- iv) Operating profit margin. The operating profit margin increased to 13.5% (2007 18 months: 2.5%).

PRINCIPAL RISKS

The principal business risks affecting the company relate to:

- i) The continuing availability of quality programming. The Company has access to strong programming from its relationships with group companies but is also working to reduce the risks in this area by committing increasing resources to selecting and securing quality content from independent producers.
- ii) Competition from other programme suppliers. The Company has expanded its sales force and presence at markets to ensure that its programming is properly represented to programme buyers in a competitive environment.
- iii) The general economic environment and the financial impact of this on broadcasters. The Company's focus on quality of programming helps to ensure its programming will always appeal to broadcasters.

FUTURE OUTLOOK

The Company operates in a competitive environment but the directors believe that the Company's relationships with group and third party suppliers will allow it to continue to grow its portfolio of quality programme brands available for distribution.

Outright Distribution Limited
DIRECTORS' REPORT
for the year ended 31 December 2008

DIRECTORS

The following directors have held office since 1 January 2008:

C Street	(appointed 7 January 2008)
N Southgate	(appointed 7 January 2008)
E Gallagher	(resigned 20 January 2009)
J Kemp	
T I McClelland	
C J Bonney	
D J Asher	
D J Monaghan	

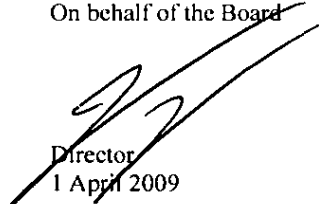
STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

On behalf of the Board



Director
1 April 2009

Outright Distribution Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OUTRIGHT DISTRIBUTION LIMITED

We have audited the financial statements of Outright Distribution Limited on pages 6 to 13 for the year ended 31 December 2008.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 the directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and we consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2008 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.
- the information given in the directors' report is consistent with the financial statements.

Baker Tilly UK Audit LLP
BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

1 April 2009

Outright Distribution Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £	18 months ended 31 December 2007 £
TURNOVER	1	7,175,643	5,350,854
Cost of sales		(5,202,809)	(3,869,802)
GROSS PROFIT		1,972,834	1,481,052
Administrative expenses		(1,007,572)	(1,348,884)
OPERATING PROFIT	2	965,262	132,168
Bank interest receivable		4,282	6,849
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		969,544	139,017
Tax on ordinary activities	5	(336,159)	3,158
PROFIT FOR THE FINANCIAL YEAR/PERIOD		633,385	142,175

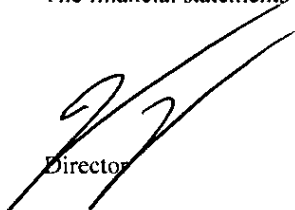
The operating profit for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

Outright Distribution Limited
BALANCE SHEET
as at 31 December 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Tangible assets	6	5,844	10,927
CURRENT ASSETS			
Debtors	7	4,316,778	2,521,894
Cash at bank		833,988	278,458
		5,150,766	2,800,352
CREDITORS: Amounts falling due within one year	8	(4,555,741)	(2,843,795)
NET CURRENT ASSETS/(LIABILITIES)		595,025	(43,443)
NET ASSETS/(LIABILITIES)		600,869	(32,516)
CAPITAL AND RESERVES			
Called-up equity share capital	9	300,000	300,000
Profit and loss account	10	300,869	(332,516)
SHAREHOLDERS' FUNDS/(DEFICIT)	11	600,869	(32,516)

The financial statements on pages 6 to 13 were approved and authorised for issue by the board on 1 April 2009


Director

Outright Distribution Limited

PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

CASH FLOW STATEMENT

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) not to prepare a cash flow statement as the company is a wholly owned subsidiary of another company whose consolidated financial statements, in which the company is included, are publicly available.

TURNOVER

Turnover recognised in the profit and loss account represents the value of the license fees including withholding tax but excluding Value Added Tax.

Income is recognised when:

- An agreement is contracted
- The arrangement is fixed and determinable
- And for finished programme sales when the programme is delivered

FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office equipment - 3 years straight line

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the period of the lease.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are recognised in the profit and loss account as administrative expenses.

DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Outright Distribution Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2008

1	TURNOVER		18 months ended
		Year ended	ended
	Sales were made in the following geographical markets	31 December	31 December
		2008	2007
		£	£
	United Kingdom	1,350,271	1,158,000
	USA	157,125	578,048
	Rest of the World	5,668,247	3,614,806
		<u>7,175,643</u>	<u>5,350,854</u>
2	OPERATING PROFIT		18 months ended
		Year ended	ended
		31 December	31 December
		2008	2007
		£	£
	Operating profit is stated after charging/(crediting):		
	Depreciation of fixed assets	6,200	8,528
	Auditor's fees	13,000	28,353
	Operating lease rentals:		
	Land and buildings	-	60,186
	Net gain on foreign currency translation	(53,048)	(8,240)
		<u></u>	<u></u>
3	EMPLOYEES		18 months ended
		Year ended	ended
	The average number of employees during the year/period were as follows:	31 December	31 December
		2008	2007
		No.	No.
	Management and administration	5	3
	Sales	6	5
		<u>11</u>	<u>8</u>
		<u></u>	<u></u>
	The aggregate remuneration of all employees, including directors, comprised:		
		£	£
	Wages and salaries	731,450	716,789
	Social security costs	81,583	83,212
		<u>813,033</u>	<u>800,001</u>
		<u></u>	<u></u>
4	DIRECTORS' EMOLUMENTS		18 months ended
		Year ended	ended
		31 December	31 December
		2008	2007
		£	£
	Aggregate emoluments	379,765	444,284
		<u></u>	<u></u>
	Highest paid director	147,673	193,213
		<u></u>	<u></u>

Outright Distribution Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2008

5	TAXATION	Year ended 31 December 2008 £	18 months ended 31 December 2007 £
(i)	Tax on profit on ordinary activities		
	Current tax:		
	UK corporation tax on profits for the year/period before double tax relief	215,670	1,336
	Double taxation relief	(72,911)	-
	UK corporation tax on profits for the year/period	142,759	1,336
	Foreign tax:	145,923	46,753
	Total current tax	288,682	48,089
	Deferred tax:		
	Origination and reversal of timing differences	60,567	(51,247)
	Adjustment in respect of prior period	(13,090)	-
	Total deferred tax	47,477	(51,247)
	Tax on profit on ordinary activities	336,159	(3,158)
		Year ended 31 December 2008 £	18 months ended 31 December 2007 £
(ii)	Factors affecting tax charge for the year/period:		
	The tax assessed for the year/period is higher than the average standard rate of corporation tax in the UK 28.5% (2007: 30%). The differences are explained below:		
	Profit on ordinary activities before tax	969,544	139,017
	Profit on ordinary activities multiplied by the average standard rate of Corporation tax in the UK of 28.5% (2007:30%)	276,293	41,705
	Effects of:		
	Expenses not deductible for tax purposes	1,020	1,373
	Capital allowances for year less than depreciation	2,164	171
	Tax losses utilised	(63,807)	(41,195)
	Higher tax rates on overseas earnings	-	46,753
	Withholding tax suffered	145,923	-
	Double tax relief claimed	(72,911)	-
	Small companies' relief	-	(719)
	Current tax charge for the year/period	288,682	48,088

Outright Distribution Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2008

5 TAXATION (continued)

	Year ended 31 December 2008 £	18 months ended 31 December 2007 £
(iii) Deferred taxation		
The deferred tax asset is made up as follows:		
Depreciation in excess of capital allowances	3,770	1,644
Tax losses carried forward	-	49,603
Deferred tax asset	<u>3,770</u>	<u>51,247</u>
	Year ended 31 December 2008 £	18 months ended 31 December 2007 £
Asset at the start of the year/period	51,247	-
Deferred tax (charge)/credit in profit and loss account	(47,477)	51,247
Asset at end of year/period	<u>3,770</u>	<u>51,247</u>

6 TANGIBLE FIXED ASSETS

	Office equipment £
COST	
At 1 January 2008	38,605
Additions	1,117
At 31 December 2008	<u>39,722</u>
DEPRECIATION	
At 1 January 2008	27,678
Charge for the year	6,200
At 31 December 2008	<u>33,878</u>
NET BOOK VALUE	
At 31 December 2008	<u>5,844</u>
At 31 December 2007	<u>10,927</u>

Outright Distribution Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2008

7	DEBTORS	2008	2007
		£	£
	Trade debtors	2,869,991	1,114,991
	VAT recoverable	70,653	86,388
	Other debtors	299,367	586
	Prepayments and accrued income	1,072,997	1,268,682
	Deferred tax (note 5)	3,770	51,247
		<u>4,316,778</u>	<u>2,521,894</u>
8	CREDITORS: Amounts falling due within one year	2008	2007
		£	£
	Trade creditors	202,944	253,439
	Amounts owed to group undertakings	2,514,322	1,305,917
	Corporation tax	142,759	1,336
	Other taxation and social security	66,156	20,688
	Accruals and deferred income	1,629,560	1,262,415
		<u>4,555,741</u>	<u>2,843,795</u>
9	SHARE CAPITAL	2008	2007
		£	£
	Authorised: 300,000 ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
		2008	2007
		£	£
	Allotted, called up and fully paid: 300,000 ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>

Outright Distribution Limited
NOTES TO THE ACCOUNTS
for the year ended 31 December 2008

10	PROFIT AND LOSS ACCOUNT	Year ended	18 months
		31 December	ended
		2008	31 December
		£	2007
			£
	Balance brought forward	(332,516)	(474,691)
	Profit for the financial year/period	633,385	142,175
	Balance carried forward	<u>300,869</u>	<u>(332,516)</u>

11	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	Year ended	18 months
		31 December	ended
		2008	31 December
		£	2007
			£
	Profit for the financial year/period	633,385	142,175
	Opening shareholders' deficit	(32,516)	(174,691)
	Closing shareholders' funds/(deficit)	<u>600,869</u>	<u>(32,516)</u>

12 ULTIMATE PARENT COMPANY

The Company's immediate and ultimate parent company is Shed Media plc, a Company incorporated in England and Wales.

Consolidated accounts have been drawn up for Shed Media plc and are available from the following address:

2 Holford Yard
London
WC1X 9HD

13 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted under FRS 8 from the requirement to disclose transactions with companies where 90% or more of the voting rights are controlled within the group.

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

14 CONTINGENT LIABILITY

The company has given guarantees in respect of bank borrowings of other group companies which amounts to £31,580,605 at 31st December 2008 (2007 £35,614,318).