Multicultural & Ethnic Media Sales Limited

Annual report and financial statements
For the year ended 31 December 2013

Registered number: 04952157

Directors and Officers

For the year ended 31 December 2013

Directors

Multicultural & Ethnic Media Sales Limited's ("the Company's") present Directors and those who served during the year are as follows:

C R Jones (appointed 3 October 2013)
C J Taylor (appointed 3 October 2013)
J De Napoli (resigned 3 October 2013)

Secretary

C J Taylor (appointed 3 October 2013)

Registered office

Grant Way
Isleworth
Middlesex
TW7 5QD

Auditor

Deloitte LLP
Chartered Accountants
London
United Kingdom

Strategic Report and Directors' Report

The Directors present their Strategic Report and Directors' Report on the affairs of the Company, together with the financial statements and Auditor's Report for the year ended 31 December 2013.

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

Strategic Report

The Company's principal activity during the year was to act as an advertising sales house which sells advertising inventory to media buyers. The Directors are satisfied with the performance of the business during the year and expect these activities to continue for the foreseeable future.

On 3 October 2013, the Company was acquired by British Sky Broadcasting Limited ("BSkyB Ltd") when 100% of its issued share capital was acquired in full. The Company is a wholly-owned subsidiary of BSkyB Ltd and operates together with BSkyB Ltd's other subsidiaries as part of British Sky Broadcasting Group plc ("BSkyB, the Group").

Results

The audited accounts for the year ended 31 December 2013 are set out on pages 7 to 15. The profit for the year after taxation was £231,129 (2012: £25,467). Net assets at the balance sheet date were £239,696, an increase from £8,567 at 31 December 2012. The increase in the profit and net assets in a year is due to the one-off commission provision for the negotiation of deals with new TV channels that incurred in 2012 but not in 2013. As the Company was a small company for the year ended 31 December 2012 it qualified for exemption for audit, therefore the comparative figures are unaudited.

Key performance indicators (KPIs)

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

Principal risks and uncertainties

The Company's activities expose it to financial risks, namely credit risk, and liquidity risk.

Financial risk management objectives and policies

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

Credit risk

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The Company relies on the Group Treasury function to manage its liquidity and ensure that sufficient funds are available for on-going operations and future developments. The Group currently has access to an undrawn £743 million revolving credit facility which is due to expire on 31 October 2018. The Company benefits from this liquidity through intra-group facilities and loans.

By Order of the Board,

C. Taylor

C J Taylor
Company Secretary
Grant Way
Isleworth
Middlesex
TW7 5QD

25th September 2014

Directors' Report

The Directors who served during the year are shown on page 1. The Directors do not recommend the payment of a dividend in the current year (2012: £32,500).

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

Going concern basis

The Company's business activities, together with the factors likely to affect its future development and performance are set out in the Business Review. The Strategic Report details the financial position of the Company, as well as the Company's objectives and policies, and details of its exposures to credit risk and liquidity risk.

After the acquisition of the Company on 3rd October 2013, from 1 January 2014 BSkyB Limited has sold advertising inventory on behalf of the channels which MEMS previously sold on behalf of, as part of a consolidated BSkyB offering. However, after making enquiries, the Directors have formed a judgement at the time of approving the financial statements that the Company will have access to adequate resources to continue in existence for the foreseeable future. The Directors also have no plans to wind down the Company for at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditor

In accordance with the provisions of Section 418 of the Companies Act 2006, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to reappoint them will be proposed at the forthcoming BSkyB Annual General Meeting.

By Order of the Board,

C. Taylor

C J Taylor
Company Secretary

Grant Way
Isleworth
Middlesex
TW7 5QD

25th September 2014

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with 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:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 Multicultural & Ethnic Media Sales Limited:

We have audited the financial statements of Multicultural & Ethnic Media Sales Limited for the year ended 31 December 2013 which comprise the Profit and loss account, the Balance sheet and 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, 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 (APB'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 annual report 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 Company's affairs as at 31 December 2013 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 properly 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Other matter

As the company was exempt from audit under section 477 of the Companies Act 2006 in the prior year we have not audited the corresponding amounts for that year.

William Touche

William Touche (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25th September 2014

Profit and loss account

For the year ended 31 December 2013

	Notes	2013	2012 (unaudited)
		£	£
Turnover	2	**1,730,854**	1,598,879
Cost of sales		**(174,381)**	(570,315)
Gross profit		**1,556,473**	1,028,564
Operating expenses		**(1,223,544)**	(980,992)
Profit on ordinary activities before interest and taxation		**332,929**	47,572
Finance costs	3	**(675)**	(552)
Profit on ordinary activities before taxation	4	**332,254**	47,020
Tax on profit on ordinary activities	6	**(101,125)**	(21,553)
Profit on ordinary activities after taxation for the financial year	12	**231,129**	25,467

The accompanying notes are an integral part of this profit and loss account. All results relate to continuing activities.

There were no other recognised gains or losses in either year; accordingly a Statement of Total Recognised Gains and Losses has not been presented.

Balance sheet

As at 31 December 2013

	Notes	2013 £	2012 (unaudited) £
Fixed assets			
Tangible fixed assets	7	-	-
Deferred tax assets	9	**15,303**	-
		15,303	-
Current assets			
Debtors	8	**2,524,168**	2,081,583
Cash at bank and in hand		**1,465,055**	1,262,073
		3,989,223	3,343,656
Creditors: Amounts falling due within one year	10	**(3,764,830)**	(3,335,089)
Net current assets		**224,393**	8,567
Total assets less current liabilities		**239,696**	8,567
Net assets		**239,696**	8,567
Capital and reserves			
Called-up share capital	11	**144**	144
Profit and loss account	12	**239,552**	8,423
Total shareholders' funds		**239,696**	8,567

The accompanying notes are an integral part of this balance sheet

These financial statements of Multicultural & Ethnic Media Sales Limited, registered number 04952157 were approved by the Board of Directors on 25 September 2014 and were signed on its behalf by:

C R Jones

Director,

25th September 2014

Notes to the financial statements

1. Accounting policies

Company Multicultural & Ethnic Media Sales Limited (the "Company") is a limited liability Company incorporated in the United Kingdom, and registered in England and Wales.

a) Basis of preparation

The financial statements have been prepared on a going concern basis (as set out in the Directors' Report) and on a historical cost convention and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The Company maintains a 52 or 53 week fiscal year ending on the Sunday nearest to 31 December in each year. In fiscal year 2013, this date was 29 December 2013, this being a 52 week year. For convenience purposes, the Company continues to date its financial statements as at 31 December. The Company has classified assets and liabilities as current when they are expected to be realised in, or intended for sale or consumption in, the normal operating cycle of the Company.

The Company has taken advantage of the exemption from the requirements of FRS 1 (Revised) to present a cash flow statement, because it is ultimately a wholly-owned subsidiary of BSkyB, which prepares consolidated accounts which are publicly available (see note 15)

b) Turnover

Turnover represents the invoiced value of airtime traded on behalf of channel clients, excluding Value Added Tax. Revenues are recognised in accordance with UK GAAP and, specifically by reference to the principal vs. agent determination, on a contract by contract basis. Contracts are only accounted for on a gross basis where the company has accepted the transfer of inventory risks which would not usually be transferred under a normal agent to client relationship. The majority of contracts in this Company are accounted for on a net basis.

c) Taxation

The Company's liability for current tax is based on taxable profits for the year, and is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

d) Deferred taxation

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to reflect an amount that is probable to be realised based on the weight of all available evidence. Deferred tax is calculated at the rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax assets and liabilities are not discounted. Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also included within equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Notes to the financial statements

1. Accounting policies (continued)

e) Provisions

Provisions are recognised when the Company has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the Company's best estimate of the transfer of benefits that will be required to settle the obligation as of the balance sheet date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

f) Dividends

Dividends are recognised in the retained earnings reserve in the year in which they are declared.

g) Foreign currency translation

The Company's functional currency and presentational currency is pounds sterling. Trading activities denominated in foreign currencies are recorded in pounds sterling at the applicable monthly exchange rates. Monetary assets, liabilities and commitments denominated in foreign currencies at the balance sheet date are reported at the rates of exchange at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to pounds sterling at the exchange rate prevailing at the date of the initial transaction. Gains and losses from the retranslation of assets and liabilities are included net in profit for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

The assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the applicable monthly average exchange rates. Any exchange differences arising are classified as equity and transferred to other reserves.

h) Comparatives for the year ended 31 December 2012

The comparatives for the year ended 31 December 2012 are unaudited as the company was exempt from audit under section 477 of the Companies Act 2006 in the prior year.

2. Turnover

The whole of the turnover is attributable to services relating to the selling of advertising inventory to media buyers. The Company's customers are based predominantly in the United Kingdom.

3. Finance charges

	2013	2012 (unaudited)
	£	£
Finance charges		
Bank charges	**675**	552
	675	552

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:	2013	2012 (unaudited)
	£	£
Depreciation of tangible fixed assets	**1,266**	1,234
Amortisation	**-**	4,080

Amounts paid to auditors for audit services in the year of £17,500 were borne by another Group subsidiary in 2014. No other fees have been paid to auditors in the year.

5. Employee benefits and key management compensation

	2013	2012 (unaudited)
	£	£
Wages and salaries	**443,550**	304,305
Social security costs	**44,925**	35,324
	488,475	339,629

The average monthly number of employees, including the directors, during the year was as follows:

	2013	2012 (unaudited)
	£	£
Administration	**5**	3
Sales support	**3**	2
Managers	**2**	3
	10	8

The Directors did not receive any remuneration during the year in respect of their services to the Company.

6. Tax

a) Tax recognised in the profit and loss account

	2013	2012 (unaudited)
	£	£
Current tax expense		
Current year	**116,428**	21,553
Total current tax charge	**116,428**	21,553
Deferred tax expense		
Origination and reversal of temporary differences	**(17,790)**	-
Adjustment in respect of change in tax rates	**2,487**	-
Total deferred tax credit	**(15,303)**	-
Tax expense in year	**101,125**	21,553

6. Tax (continued)

b) Reconciliation of effective tax rate

The tax expense for the year is higher (2012: higher) than the expense that would have been charged/credited using the blended rate of corporation tax in the UK (23.25%) applied to profit before tax. The applicable or substantively enacted effective rate of UK corporation tax for the year was 23.25% (2012: 20%). The differences are explained below:

	2013	2012 (unaudited)
	£	£
Profit before tax	**332,254**	47,020
Profit before tax multiplied by blended rate of corporation tax in the UK of 23.25% (2012: 20%)	**77,249**	9,404
Effects of:		
Tax exempt gain on disposal of available-for-sale investments		
Non-deductible expense	**21,389**	10,820
Deferred tax write off following tax rate change	**2,487**	-
Deferred tax not recognised	**-**	1,329
Tax	**101,125**	21,553

7. Tangible fixed assets

	Office equipment	**Total**
	£	**£**
Cost		
At 1 January 2013	-	-
Additions	2,531	2,531
Disposals	(1,265)	(1,265)
At 31 December 2013	**1,266**	**1,266**
Depreciation		
At 1 January 2013	-	-
Depreciation	1,266	1,266
At 31 December 2013	**1,266**	**1,266**
Net book value		
At 31 December 2012	-	-
At 31 December 2013	**-**	**-**

8. Debtors

	2013	2012 (unaudited)
	£	£
Amounts falling due within one year		
Trade debtors	**2,524,168**	2,045,227
Other debtors	**-**	36,356
	2,524,168	2,081,583

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

9. Deferred tax asset

Recognised deferred tax assets

	Short-term timing differences	Total
	£	£
At 1 January 2012 and 31 December 2012 (unaudited)	-	-
At 1 January 2013	-	-
Credit to income	15,303	15,303
At 31 December 2013	**15,303**	**15,303**

Deferred tax assets have been recognised at 31 December 2013 (and 31 December 2012) on the basis that management deem it probable that there will be suitable taxable profits against which these assets can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which they reverse. The rate enacted or substantively enacted for the relevant period of reversal is 20% as at December 2013 (2012: 23%).

The rate is due to come into effect on 1 April 2015.

10. Creditors – amounts falling due within one year

	2013	2012 (unaudited)
	£	£
Trade creditors	**3,087,089**	2,202,666
Corporation tax	**116,428**	21,553
Other taxes and social security	**481,332**	473,783
Other creditors	**79,981**	637,087
	3,764,830	3,335,089

The Directors consider that the carrying amount of trade and other payables approximates their fair values.

Notes to the financial statements

11. Share capital

	2013	2012 (unaudited)
	£	£
Allotted, called-up and fully paid		
144 (2012: 144) ordinary shares of £1 (2012: £1) each	**144**	144

12. Reconciliation of movements in shareholder's funds

	Share capital	Profit and loss account	Total equity shareholder's funds
	£	£	£
At 1 January 2012 (unaudited)	144	15,456	15,600
Profit for the financial year	-	25,467	25,467
Dividends paid	-	(32,500)	(32,500)
At 1 January 2013 (unaudited)	144	8,423	8,567
Profit for the financial year	-	231,129	231,129
At 31 December 2013	**144**	**239,552**	**239,696**

13. Transactions with related parties and major shareholders

The Group, including the Company, conducts business transactions on a normal commercial basis with, and receives a number of services from, group companies or members of their groups and associated undertakings. These transactions are described in the consolidated accounts of the Group.

The Company has taken advantage of the exemption given by Financial Reporting Standard 8 "Related Party Disclosures" not to provide further details of the transactions with fellow wholly owned Group undertakings or BSkyB's joint ventures, as it is a wholly owned subsidiary of BSkyB and disclosures of such transactions are made in the consolidated accounts of the Group, which are publicly available (see note 15).

14. Dividends

	2013	2012 (unaudited)
	£	£
Dividends declared and paid during the year	-	32,500

Notes to the financial statements

15. Related-party transactions

During the year the company made the following related party transactions:

J De Napoli is the director and controlling shareholder of Digital Media Sales (Europe) Limited. Sales transactions during the year totalled £11,059 (2012: £nil). Purchase transactions for service charges during the year totalled £14,400 (2012: £nil). At the balance sheet date the amount due to Digital Media Sales (Europe) Limited was £nil (2012: £nil).

J De Napoli is a director and controlling shareholder in One Eight Three Four Limited. Purchase commission transactions paid and accrued during the year totalled £700,000 (2012: £542,760). At the balance sheet date the amount due from/(to) One Eight Three Four Limited was £15,926 (2012: (£42,720)).

J De Napoli is a director and controlling shareholder of Magia Solutions Limited. During the year fees totalling £135,000 (2012: £100,000) were paid or accrued to Magia Solutions Limited. At the balance sheet date the amount due to Magia Solutions Limited was £nil (2012: £5,400).

J De Napoli is a director and a shareholder in Mean Broadcast Limited. At the balance sheet date the amount due from Mean Broadcast Limited was £nil (2012: £3,600).

J De Napoli is a director and shareholder in Rubywear Limited. At the balance sheet date the amount due from Rubywear Limited was £nil (2012:£1,513).

16. Ultimate parent undertaking

The Company is a wholly-owned subsidiary undertaking of BSkyB Ltd, a Company incorporated in Great Britain and registered in England and Wales. The Company is ultimately controlled by British Sky Broadcasting Group plc. The only group in which the results of the Company are consolidated is that headed by BSkyB.

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