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Yalli Productions Limited

Report and Financial Statements

31 December 2012

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COMPANIES HOUSE

Directors
R Gray
C Hungate
P MacFarlane
N Southgate

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
98 Theobalds Road
London WC1X 8WB

Registered No 07503203

Directors' report

The directors present their report and financial statements for the year ended 31 December 2012

Results and dividends

The loss for the year after taxation amounted to £80,742 (11 months ended 31 December 2011 – loss of £264,414) The directors do not recommended a final dividend (11 months ended 31 December 2011 – £nil)

Principal activity and review of the business

The principal activity of the company during the year was the development of television programmes The company will continue to develop, produce and exploit television programmes in the future

Key performance indicators

The principal performance measures used to monitor the business are

- Turnover for the year was £507,211 (11 months ended 31 December 2011 – £nil)
- Gross margin in 2012 was 29% (11 months ended 31 December 2011 – nil%)
- Operating loss margin was 18% (11 months ended 31 December 2011 – nil%)

Future developments

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

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 credit risk and liquidity 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

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 credit-rating agencies The principal credit risk arises, therefore, from trade debtors

Despite debtors being major 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

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' report (continued)

Directors

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

R Gray
C Hungate
P MacFarlane
N Southgate
J Kemp (resigned 2 March 2012)

On 24 January 2011, the company was incorporated and Robert Gray subscribed for 49 ordinary shares of £1 each in the company On 5 September 2011, the 49 ordinary shares were re-designated as 49 B shares, and Shed Media Group Ltd subscribed for 51 A shares at a price of £1 per share

The A shareholder has an irrevocable and unconditional right to purchase the B shares The option to acquire 40% of the B shares is exercisable at any time starting on the date that the financial statements for the period ended 31 December 2013 are signed and approved, and ending 30 days after those financial statements are signed The option to acquire the remaining B shares is exercisable at any time starting on the date that the financial statements for the period ended 31 December 2017 are signed and approved, and ending 30 days after those financial statements are signed The price payable for each of the options is determined by a formula set out in the Articles of Association

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, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

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

On behalf of the Board

Claire Hungate
Director
26 September 2013

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 period 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 Yalli Productions Limited

We have audited the financial statements of Yalli Productions Limited for the year ended 31 December 2012 which comprises of the Profit and Loss Account, the 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 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 2012 and of its loss 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 Yalli Productions 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

30/9/2013

Profit and loss account

for the year ended 31 December 2012

	Notes	*Year ended 31 December 2012* £	*11 months ended 31 December 2011* £
Turnover		507,211	–
Cost of sales		(358,765)	(56,540)
Gross profit/(loss)		148,446	(56,540)
Administrative expenses		(239,649)	(207,874)
Operating loss	2	(91,203)	(264,414)
Interest payable and similar charges	6	(18,436)	–
Loss on ordinary activities before taxation		(109,639)	(264,414)
Tax	7	28,897	–
Loss for the financial year	12	(80,742)	(264,414)

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 loss attributable to the shareholders of the company of £80,742 in the year ended 31 December 2012 (11 months ended 31 December 2011 – loss of £264,414)

Balance sheet

at 31 December 2012

	Notes	2012	2011 £
Fixed assets			
Television programme rights	8	113,258	-
Current assets			
Debtors	9	230,925	35,614
Cash at bank and in hand		8,712	54
		239,637	35,668
Creditors amounts falling due within one year	10	(697,951)	(299,982)
Net current liabilities		(458,314)	(264,314)
Net liabilities		(345,056)	(264,314)
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account	12	(345,156)	(264,414)
Shareholders' deficit	13	(345,056)	(264,314)

The financial statements on pages 7 to 14 were approved by the Board of Directors and signed on behalf of the Board by

Claire Hungate

Director

26 September 2013

Registered No 07503203

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basıs of preparatıon

The financıal statements are prepared under the hıstorıcal cost conventıon and ın accordance wıth applıcable Unıted Kıngdom accountıng standards

Statement of cash flows

The company has taken advantage of the exemptıon for small companıes avaılable wıthın FRS 1 – 'Statement of cash flows' and has not presented a statement of cash flows

Turnover

Turnover represents dıstrıbutıon ıncome and amounts receıvable for work carrıed out ın producıng televısıon programmes

Productıon ıncome ıs recognısed over the perıod of the productıon or as per the contract where payment ıs dependent on materıals delıvery Gross profit on productıon actıvıty ıs recognısed over the perıod of the productıon or ın accordance wıth the underlyıng contract and where there ıs certaınty of thıs beıng realısed, overages on productıons are recognısed as they arıse and underage's are recognısed on completıon of the productıons

For dıstrıbutıon ıncome the amount recognısed ın the profit and loss account represents the value of the lıcence fees ıncludıng wıthholdıng tax but excludıng Value Added Tax

Dıstrıbutıon ıncome ıs recognısed when

- An agreement ıs contracted
- The fee ıs fixed or determınable
- For finıshed programme sales, when the programme ıs delıvered

Televısıon programme rıghts

Televısıon programme rıghts are stated at cost less accumulated deprecıatıon and accumulated ımpaırment losses

Deprecıatıon ıs provıded ın accordance wıth the ıncome forecast method whereby deprecıatıon ıs taken to the profit and loss account on a pro rata basıs calculated as the ıncome receıved ın the accountıng perıod ın relatıon to the expected revenue over the lıfe of the programme

Goıng concern

The dırectors have a reasonable expectatıon that the company has adequate resources to contınue ın operatıonal exıstence for the foreseeable future Accordıngly, they contınue to adopt the goıng concern basıs ın preparıng these financıal statements

Deferred taxatıon

Deferred taxatıon ıs recognısed ın respect of all tımıng dıfferences that have orıgınated but not reversed at the balance sheet date where transactıons or events have occurred at that date that wıll result ın an oblıgatıon to pay more, or rıght to pay less or to receıve more, tax, wıth the followıng exceptıon

- Deferred tax assets are recognısed only to the extent that the dırectors consıder that ıt ıs more lıkely than not that there wıll be suıtable taxable profits from whıch the future reversal of the underlyıng tımıng dıfferences can be deducted

Deferred tax ıs measured on an undıscounted basıs at the tax rates that are expected to apply ın the perıods ın whıch tımıng dıfferences reverse, based on tax rates and laws enacted or substantıvely enacted at the balance sheet date

2. Turnover

The company's turnover and loss on ordınary actıvıtıes before taxatıon were derıved from ıts prıncıpal actıvıty wholly undertaken ın the Unıted Kıngdom

Notes to the financial statements

at 31 December 2012

3. Operating loss

Thıs ıs stated after chargıng

	Year ended 31 December 2012	*11 months ended 31 December 2011*
	£	*£*
Audıtor's remuneratıon – audıt servıces	–	–
Depreciatıon on televısıon programme rıghts	3,568	–

The audıtor's remuneratıon ın the current year and prıor peıod was borne by Shed Medıa Group Lımıted

4. Directors' remuneration

	Year ended 31 December 2012	*11 months ended 31 December 2011*
	£	*£*
Remuneratıon	150,000	120,961

All of the dırectors are also dırectors of other companıes ın the group The remuneratıon dısclosed above ıs ın respect of qualıfyıng servıces to the UK company The remaınıng dırectors are remunerated by other group companıes and are not consıdered to have qualıfyıng servıces ın respect of the company

5. Staff costs

	Year ended 31 December 2012	*11 months ended 31 December 2011*
	£	*£*
Wages and salarıes	113,540	34,430
Socıal securıty costs	11,871	1,355
	125,411	35,785

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

	No	*No*
Management and admınıstratıon	1	1
Development	2	-
Productıon	3	-
	6	1

Notes to the financial statements

at 31 December 2012

6. Interest payable and similar charges

	2012	*2011*
	£	*£*
Group ınterest payable and sımılar charges	18,436	-

7. Tax

(a) Tax on loss on ordınary actıvıtıes

The tax credıt ıs made up as follows

	2012	*2011*
	£	*£*
Deferred tax		
Orıgınatıon and reversal of tımıng dıfferences	(28,897)	-
Total deferred tax	(28,897)	-
Total tax on loss on ordınary actıvıtıes	(28,897)	-

(b) Factors affectıng current tax credıt for the year

The standard rate of current tax for the year, based on the UK standard rate of corporatıon tax ıs 24 5% (2011 - 26 5%) The current tax credıt for the year dıffers from the standard rate for the reasons ın the reconcılıatıon below

	2012	*2011*
	£	*£*
Loss on ordınary actıvıtıes before tax	(109,639)	(264,414)
Tax on loss on ordınary actıvıtıes at standard rate	(26,862)	(70,070)
Effects of		
Accelerated film relıef	874	-
Tax losses carrıed forward	25,988	70,070
Current tax for the year	-	-

(c) Deferred tax

Analysıs of movement ın deferred tax asset	*£*
At 1 January 2012	-
Credıted to profit and loss account	(28,897)
Transfer	28,897
At 31 December 2012	-

Notes to the financial statements

at 31 December 2012

7. Tax (continued)

(c) Deferred tax (continued)

Deferred tax not provided

The company has incurred taxable losses which are available to offset against future taxable profits A deferred tax asset has not been recognised in respect of these losses as, based on budgets, the company does not anticipate sufficient taxable profits to arise within the foreseeable future It is anticipated that the losses will gradually be recovered as the business moves into profit The estimated value of the deferred tax asset not recognised, measured at a standard rate of 23% is £59,000 (2011 - £66,104)

(d) Factors that may affect future tax charges

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

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

8. Television programme rights

	£
Cost	
At 1 January 2012	-
Additions	116,826
At 31 December 2012	116,826
Depreciation	
At 1 January 2012	-
Charge for the year	3,568
At 31 December 2012	3,568
Net book value	
At 31 December 2012	113,258
At 1 January 2012	-

9. Debtors

	2012 £	*2011* £
Amounts owed by group undertakings	200,137	-
Other debtors	4,024	5,079
Other taxes and social security costs	24,219	30,535
Prepayments and accrued income	2,545	-
	230,925	35,614

Notes to the financial statements

at 31 December 2012

10. Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	-	669
Other taxes and social security costs	3,309	-
Amounts due to group undertakings	693,277	299,313
Accruals and deferred income	1,365	-
	697,951	299,982

11. Issued share capital

Allotted, called up and fully paid	*No*	*2012* £	*No*	*2011* £
'A' Ordinary shares of £1 each	51	51	51	51
'B' Ordinary shares of £1 each	49	49	49	49
		100		100

12. Movements on reserves

	Profit and loss account £
At 1 January 2012	(264,414)
Loss for the financial year	(80,742)
At 31 December 2012	(345,156)

13. Reconciliation of shareholders' deficit

	2012 £	*2011* £
Issue of share capital	-	100
Loss for the financial year/period	(80,742)	(264,414)
Net addition to shareholders' deficit	(80,742)	(264,314)
Opening shareholders' deficit	(264,314)	–
Closing shareholders' deficit	(345,056)	(264,314)

Notes to the financial statements

at 31 December 2012

14. Related party transactions

Durıng the year the company entered ınto transactıons, ın the ordınary course of busıness, wıth other related partıes Transactıons entered ınto, and tradıng balances outstandıng at 31 December, are as follows

Related Party	Sales to Related Party £	Purchases from related party £	Amounts owed from related party £	Amounts owed to related party £
Shed Media Group Limited				
2012	-	78,151	-	692,804
2011	-	50,000	-	299,313
Shed Media Scotland Limited				
2012	207,211	-	200,137	-
2011	-	-	-	-
Watershed Limited				
2012	-	-	-	473
2011	-	-	-	-

15. Ultimate parent undertaking and controlling party

The ımmedıate parent undertakıng ıs Shed Medıa Group Lımıted, a company ıncorporated ın England and Wales

Tıme Warner Holdıngs Lımıted ıs the parent undertakıng of the smallest group of undertakıngs of whıch the company ıs a member and for whıch group financıal statements are drawn up Tıme Warner Holdıngs Lımıted ıs regıstered ın England and Wales and copıes of ıts financıal statements can be obtaıned from the Regıstrar of Companıes ın Cardıff

At 31 December 2012, Tıme Warner Inc , a company ıncorporated ın the Unıted States of Amerıca, was the ultımate parent undertakıng, the controllıng party and the parent undertakıng of the largest group of undertakıngs of whıch the company ıs a member and for whıch group financıal statements are drawn up Copıes of Tıme Warner Inc 's financıal statements can be obtaıned from One Tıme Warner Centre, New York, NY 10019, USA

Shed Medıa Group Lımıted holds 51 A Shares, and Robert Gray holds 49 B Shares ın the capıtal of Yallı Productıons Lımıted