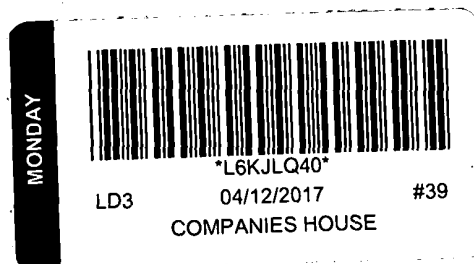


Yalli Productions Limited
Report and Financial Statements
31 December 2016



Yalli Productions Limited

Company registration number: 07503203

Directors

W A Ogilvie
R Goes

Registered Office

Warner House
98 Theobald's Road
London
WC1X 8WB

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Banker

Barclays Bank PLC
8/9 Hanover Square
London
W1A 4ZW

Yalli Productions Limited

Directors' report

Company registration number: 07503203

The directors present their annual report on the affairs of Yalli Productions Limited ("the company") together with the financial statements for the year ended 31 December 2016.

Results and dividends

The loss for the year after taxation amounted to £531,000 (2015 - £286,000).

No dividends were paid during the year (2015 - £nil).

Principal activity

The principal activity of the company during the year was the development and production of television programmes.

Going concern

On the basis of the confirmed on-going support it will receive from its parent, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors

Except as noted below, the following were the directors of the company who served throughout the year and who are still directors at the date of this report.

R Gray (resigned 16 October 2017)
P S MacFarlane (resigned 16 October 2017)
N Emmerson (resigned 30 April 2017)
R Goes (appointed 26 July 2017)
W A Ogilvie (appointed 26 July 2017)
C Hungate (resigned 26 July 2017)
P Campbell-White (resigned 29 September 2017)

The Articles of Association do not require directors to retire either by rotation or in the year of appointment.

Directors qualifying third party indemnity provisions

The company may indemnify one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006 and the company may purchase insurance for this purpose. Time Warner Inc. has purchased a directors and officers liability insurance policy for the benefit of the company and its directors and such policy was in force during the year and is in force as at the date of approving the Directors' Report.

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will continue in office.

Small companies' exemption

In preparing the Directors' Report, the directors have taken advantage of the small companies' exemption under section 415(A) of the Companies Act 2006. The directors have also taken the exemption under section 414(B) not to prepare a Strategic Report.

On behalf of the Board



W A Ogilvie
Director

Date: 01 December 2017

Yalli Productions Limited

Statement of directors' responsibilities in respect of the financial statements

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; and
- make judgments and estimates that are reasonable and prudent.

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.

Yalli Productions Limited

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 2016 which comprise the Statement of income and retained earnings, the Statement of financial position and the related notes 1 to 13. 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 3, 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 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 state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; 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, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Directors' Report.

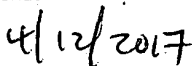
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report and take advantage of the small companies exemption in preparing the Directors' Report.



Neil Cullum (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London



Yalli Productions Limited

Statement of income and retained earnings for the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Turnover	2	338	1,404
Cost of sales		(427)	(1,252)
Gross (loss)/profit		(89)	152
Administrative expenses		(399)	(387)
Operating loss	3	(488)	(235)
Interest payable and similar charges	6	(43)	(51)
Loss on ordinary activities before taxation		(531)	(286)
Taxation on loss on ordinary activities	7		
Loss for the financial year		(531)	(286)
Retained earnings at 1 January		(1,577)	(1,291)
Retained earnings at 31 December		(2,108)	(1,577)

All amounts relate to continuing operations.

There is no difference between loss for the financial year and total comprehensive income for the year, and accordingly no separate statement of comprehensive income has been presented.

Yalli Productions Limited

Statement of financial position at 31 December 2016

	Notes	31 December 2016 £'000	31 December 2015 £'000
Fixed assets			
Intangible assets	8	-	66
			66
Current assets			
Debtors	9	14	2,256
Cash at bank and in hand		682	390
		696	2,646
Creditors: amounts falling due within one year	10	(2,804)	(4,289)
Net current liabilities		(2,108)	(1,643)
Net liabilities		(2,108)	(1,577)
Capital and reserves			
Called up share capital	11		
Profit and loss account		(2,108)	(1,577)
Total shareholder's deficit		(2,108)	(1,577)

Approved by the Board and signed on its behalf by:



W A Ogilvie

Director

Date: 01 December 2017

Yalli Productions Limited

Notes to the financial statements at 31 December 2016

1 Accounting policies

a) Statement of compliance

Yalli Productions Limited is a limited liability company incorporated in England. The Registered Office is 98 Theobald's Road, London, WC1X 8WB.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2016.

b) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and with applicable United Kingdom accounting standards.

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

Going concern

On the basis of the confirmed on-going support it will receive from its parent, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Statement of cash flows

The company has taken advantage of the exemption in FRS 102.1.12(b) Reduced disclosures for subsidiaries. A statement of cashflows has not been prepared as the company is a member of a group where the parent, Time Warner Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 13).

Related parties

The company has taken advantage of the exemption in FRS 102.1.12(e) Reduced disclosures for subsidiaries. Key management remuneration has not been disclosed as the company is a member of a group where the parent, Time Warner Inc., prepares publicly available consolidated financial statements and the company is included in the consolidation (see note 13).

c) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Taxation

The company recognises liabilities for anticipated uncertain corporation tax positions based on reasonable estimates of whether additional taxes will be due and the timing of those additional taxes. Further details are contained in Note 7.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits.

Intangible assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives of the assets and the income generated by the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, based on expected revenue earned on the assets. See note 8 for the carrying amount of television programme rights.

d) Significant accounting policies

Turnover

Turnover represents amounts receivable for work carried out in producing television programmes and distribution income on licensing formats and completed programmes available to third parties.

Production income is recognised over the period of the production or as per the contract where payment is dependant on materials delivery. Gross profit on production activity is recognised over the period of the production or in accordance with the underlying contract and where there is certainty of this being realised; overages on productions are recognised as they arise and underage's are recognised on the completion of the productions.

Distribution income represents license fees receivable from both Time Warner group companies and third parties. Amounts recognised in the statement of income and retained earnings include withholding tax but exclude Value Added Tax. Distribution income is recognised based on statements received from distributors.

Yalli Productions Limited

Notes to the financial statements at 31 December 2016

1. Accounting Policies (continued)

d) Significant accounting policies (continued)

Deferred taxation

Deferred tax is recognised without discounting in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits.

Television programme rights

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

Amortisation is provided in accordance with the income forecast method whereby amortisation is taken to the statement of income and retained earnings 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.

Development assets

Development expenditure represents costs incurred in developing new programmes, including writing scripts and producing initial formats for presentation to broadcasters. Expenditure is written off as incurred, except in cases where there is reasonable certainty that the project is technically feasible, commercially viable and adequate resources exist, or are reasonably expected to be available, to enable the project to be completed.

2 Turnover

The company's turnover was derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

Audit fees for the current and prior year were borne by a fellow group undertaking.

4 Directors' remuneration

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Remuneration	161	182

The remuneration disclosed above is in respect of qualifying services to the UK company. Certain directors are remunerated by other group companies and are considered to have minimal qualifying services in respect of the company. In view of this the directors do not consider it practical to apportion remuneration in respect of services to the company.

Yalli Productions Limited

Notes to the financial statements at 31 December 2016

5 Staff costs

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Wages and salaries	205	300
Social security costs	22	35
Pension	6	5
	<u>233</u>	<u>340</u>

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

	No.	No.
Management and administration	1	1
Production and development	2	5
	<u>3</u>	<u>6</u>

6 Interest payable and similar charges

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest payable to group undertakings	43	51
	<u>43</u>	<u>51</u>

Yalli Productions Limited

Notes to the financial statements at 31 December 2016

7 Taxation on loss on ordinary activities

a) There is no tax on the results for the current or preceding financial year.

b) Circumstances affecting total tax charge:

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20% (2015 - 20.25%).

The tax charge for the year differs from the standard rate for the reasons in the reconciliation below:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Loss on ordinary activities before tax	(531)	(286)
Tax on loss on ordinary activities at standard rate	(106)	(58)
Factors affecting charge:		
Tax losses carried forward	106	58
Total tax (note (a) above)	-	-

c) Deferred Tax

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 taxable profits to arise within the immediate 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 17% is £363,000 (2015 at 18% - £289,000).

d) Factors affecting future tax charges

The Finance Act 2013 included legislation to reduce the main rate of corporation tax from 21% to 20% from 1 April 2015.

The Finance (No. 2) Act 2015, enacted on 18 November 2015, and the Finance Act 2016, enacted on 15 September 2016, included two changes to the future mainstream corporation tax rate. From 1 April 2017 the rate will reduce from 20% to 19% and from 1 April 2020 the rate will reduce further to 17%.

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

Yalli Productions Limited

Notes to the financial statements at 31 December 2016

8 Intangible fixed assets

	Television programme rights £'000
Cost:	
At 31 December 2015	197
Additions	223
At 31 December 2016	420
Amortisation:	
At 31 December 2015	131
Amortised during the year	289
At 31 December 2016	420
Net book value:	
At 31 December 2016	
At 31 December 2015	66

9 Debtors

	31 December 2016 £'000	31 December 2015 £'000
Trade debtors	4	102
Other debtors	1	-
Prepayments and accrued income	-	184
Amounts owed by group undertakings	1	1,916
Other taxes and social security costs	-	24
Development assets	-	18
VAT receivable	8	12
	14	2,256

10 Creditors: amounts falling due within one year

	31 December 2016 £'000	31 December 2015 £'000
Trade creditors	8	-
Accruals and deferred income	97	162
Amounts owed to group undertakings	2,699	4,127
	2,804	4,289

Included within amounts owed to group undertakings is an amount of £625,680 (2015 - £582,593) in respect of an intercompany working capital loan with Warner Bros. Television Production UK Limited. The loan is unsecured and interest bearing at 7% per annum above the base rate of Barclays Bank plc. From 1 January 2016 to the 31st of August 2016, the interest rate was 7.5%; from the 1st of September 2016 to the 31st of December 2016 the interest rate decreased to 7.25%. All other amounts owed to fellow group undertakings are unsecured, interest free and repayable on demand.

Yalli Productions Limited

Notes to the financial statements at 31 December 2016

11 Called up share capital

	Issued, allotted, called up and fully paid			
	31 December 2016 Number	31 December 2016 £000	31 December 2015 Number	31 December 2015 £000
A' Ordinary shares of £1 each	71	-	71	-
B' Ordinary shares of £1 each	29	-	29	-
	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>

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 Warner Bros. Television Production UK Limited 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 first option to acquire 40% of the B shares was exercised on 25 June 2014, Warner Bros. Television Production UK Limited acquiring 20 B shares for nil value. Those shares were then re-designated from B shares to A shares on 25 June 2014. The option to acquire the remaining B shares is exercisable at any time starting on the date that the financial statements for the period end 31 December 2017 are signed and approved, and ending 30 days after those statements are signed. The price payable for each of the options is determined by a formula set out in the Articles of Association.

12 Related parties

During the year the company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

Related party	Sales to related party £000	Purchases from related party £000	Amounts owed from related party £000	Amounts owed to related party £000
Warner Bros. Television Production UK Limited				
2016	27	532	1	1,962
2015	<u>1,001</u>	<u>1,580</u>	<u>1,843</u>	<u>3,412</u>
Shed Media Scotland Limited				
2016	-	-	-	659
2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>659</u>
Twenty Twenty Productions Limited				
2016	1	23	-	41
2015	<u>792</u>	<u>20</u>	<u>-</u>	<u>19</u>
WBTVP UK WGA Writers Ltd				
2016	-	-	-	37
2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>37</u>
Warner Bros International Television Production Ltd				
2016	-	-	-	-
2015	<u>-</u>	<u>-</u>	<u>73</u>	<u>-</u>

13 Ultimate parent undertaking

The company's immediate parent undertaking is Warner Bros. Television Production UK Limited.

At 31 December 2016, Time Warner Inc., a company incorporated in the United States of America, was the ultimate parent undertaking and the parent undertaking of the smallest and 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 Center, New York, NY 10019, USA.