

K Comms Group Limited

**Directors' report and financial
statements**

Registered number 07632340

Period 12 May 2011 to 30 April 2012

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Directors' report

The directors present their directors' report and financial statements for the period ended 30 April 2012

Principal activities

The Company's principal activity is that of a holding Company

Business review

The Company was incorporated on 12 May 2011 and has operated as a holding Company for the period ended 30 April 2012

Financial instruments

The Company's principal financial instruments comprise loans owed by group companies, loans and loan notes owed to group companies

Proposed dividend

The directors do not recommend the payment of a dividend

Directors

The directors who held office in the period were as follows

N S Mendelsohn – appointed 12 May 2011

S McGrath – appointed 12 May 2011

D M Bounaguidi – appointed 12 May 2011

B Bilboul – appointed 12 May 2011

C B L Watson – appointed 26 May 2011

A Silver – appointed 26 May 2011

Employees

There were no employees directly employed by the Company during the period ended 30 April 2012

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

During the period, KPMG were appointed as the auditor of the Company Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



Adam Silver
Director

Farringdon Place
20 Farringdon Road
London
United Kingdom
EC1M 3HE

13 November 2012

Statement of directors' responsibilities in respect of the Directors' Report and 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,
- make judgments and estimates that are reasonable and prudent,
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of K Comms Group Limited

We have audited the financial statements of K Comms Group Limited for the period 12 May 2011 to 30 April 2012, set out on pages 6 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 Statement of directors' responsibilities 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 30 April 2012 and of its loss for the period then ended,
- have been properly prepared in accordance with UK 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 K Comms 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

Adrian John Wilcox (Senior Statutory Auditor)

For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB
26th November 2012

Profit and Loss Account
for the period 12 May 2011 to 30 April 2012

	<i>Note</i>	2012 £
Turnover	<i>1</i>	-
Cost of sales		-
Gross profit		-
Administrative expenses		(3,700)
Operating loss	<i>2</i>	(3,700)
Interest receivable and similar income	<i>3</i>	230,684
Interest payable and similar charges	<i>4</i>	(971,665)
Loss on ordinary activities before taxation		(744,681)
Tax on loss on ordinary activities	<i>5</i>	-
Loss for the financial year	<i>11</i>	(744,681)

All results arise from continuing operations

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented

The notes on pages 8 to 14 form part of these financial statements

Balance Sheet

At 30 April 2012

	<i>Note</i>	2012 £
Fixed assets		
Investments	6	6,680,631
		<hr/>
		6,680,631
Non Current assets		
Debtors	7	9,183,243
Creditors, amounts falling due within one year	8	(3,700)
		<hr/>
Net current liabilities		(3,700)
		<hr/>
Total assets less current liabilities		15,860,174
		<hr/>
Creditors, amounts falling due after more than one year	9	(16,604,854)
		<hr/>
Net Liabilities		(744,680)
		<hr/>
Capital and reserves		
Called up share capital	10	1
Profit and loss account	11	(744,681)
		<hr/>
Shareholders' deficit	12	(744,680)
		<hr/>

The notes on pages 8 to 14 form part of these financial statements

The financial statements were approved by the board of directors on 13 November 2012 and were signed on its behalf by



Adam Silver
Director

Company registered number 07632340

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present financial information about the Company as an individual undertaking and not about its group. The Company is a wholly owned subsidiary, and is included in the consolidated financial statements of Karma Communications Holdings Limited which are publicly available (see note 13).

As the Company is a wholly owned subsidiary of Karma Communications Holdings Limited, the ultimate parent company, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its results are included in the published consolidated financial statements of its ultimate parent company Karma Communications Holdings Limited, which are publicly available (see note 13).

The Company was incorporated on 12 May 2011. The period presented is for the 355 day period from 12 May 2011 to 30 April 2012.

Going concern

The Company's accounts show a loss after tax for the period from 12 May 2011 to 30 April 2012 of £744,681 and a net liabilities position of £744,680.

The directors have considered the factors that impact the Company's future development, performance, cash flows and financial position along with Company's current liquidity in forming their opinion on the going concern basis.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company has support from the ultimate parent company, Karma Communications Holdings Limited, which has confirmed that there is no intention to ask for repayment of amounts due to itself and other group companies in the foreseeable future, and not less than 12 months from the date of signing the audit report.

Investments

Investments held as fixed assets are stated at cost less provision for impairment or permanent diminution of value.

Impairment of investments

The carrying amounts of the Company's investments are reviewed for impairment annually or when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Taxation

The taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Interest bearing borrowings

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

Notes (continued)

2 Operating loss

2012
£

The operating loss is stated after charging

Auditor's Remuneration	
Audit of these financial statements	1,500

Auditor's remuneration with respect to non-audit services has been disclosed in the consolidated financial statements of Karma Communications Holdings Limited, the ultimate parent company

During the period, no directors received any emoluments for their services as director of K Comms Group Limited

There are no employees directly employed by K Comms Group Limited in the period

3 Interest receivable

2012
£

Interest receivable on group loans	230,684
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4 Interest payable

2012
£

Interest payable on loan notes	740,126
Interest payable on intercompany loans	231,539
	971,665

5 Taxation

<i>Analysis of charge in period</i>	2012 £
<i>UK Corporation Tax</i>	
UK Corporation tax on loss for the period	-
Total current tax	-
Total deferred tax	-
Tax on loss on ordinary activities	-

Notes (continued)

5 Taxation (continued)

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 25.83%. The differences are explained below

	2012
	£
Loss on Ordinary Activities Before Tax	<u>(744,681)</u>
Loss on Ordinary Activities at standard rate of corporation tax in the UK of 25.83%	(192,351)
Unrelieved tax losses and other deductions arising in the period	8,542
Group Relief surrendered	177,332
Expenses not deductible for tax purposes	6,477
	<u>-</u>
Current tax charge for the period	<u>-</u>

Factors that may affect future current and total tax charges

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 30 April 2012 (which has been calculated based on the rate of 24% substantively enacted at the balance sheet date).

At 30 April 2012 there were deferred tax assets at 24% of £7,048 which were not recognised as there is no certainty over their future recoverability.

6 Investments

	Investments in subsidiaries £
Cost	
At beginning of period	-
Additions	6,680,631
At 30 April 2012	<u>6,680,631</u>
Net Book Value	
At 30 April 2012	<u>6,680,631</u>

On 26 May 2011, K Comms Group Limited subscribed to 100% of the ordinary Share Capital of Karmarama Comms Limited by the issue of £4,631,806 consideration loan notes, and a cash payment of £1.

On 26 May 2011, K Comms Group Limited purchased 100% of the ordinary Share Capital of Kream Comms Limited by the issue of £2,015,635 consideration loan notes, and a cash payment of £1.

BW 2012 Limited is a 100% owned subsidiary of Kream Comms Limited.

Notes (continued)

6 Investments (continued)

The subsidiary undertakings at 30 April 2012 were

	Country of incorporation	Holding	Principal Activity	Proportion of shares held	Capital and reserves	Profit for the period
Karmarama Comms Limited	United Kingdom	Ordinary shares	Advertising and PR	100%	£4,925,424	£293,618
Kream Comms Limited	United Kingdom	Ordinary shares	Production	100%	£2,353,878	£338,243
BW 2012 Limited	United Kingdom	Ordinary shares	Production	100%	£55,030	£55,029

7 Debtors: amounts receivable after more than one year

	2012 £
Intercompany loans	9,183,243
	<u>9,183,243</u>

The Company has lent £5,929,106 to Karmarama Comms Limited, which is redeemable in 2021. Interest on this intercompany loan is charged at LIBOR + 1% and included in the £9,183,243 is accrued interest receivable of £152,777.

The Company has lent £3,023,453 to Kream Comms Limited, which is redeemable in 2021. Interest on this intercompany loan is charged at LIBOR + 1% and included in the £9,183,243 is accrued interest receivable of £77,906.

8 Creditors: amounts falling due within one year

	2012 £
Accruals	3,700
	<u>3,700</u>

Notes (continued)

9 Creditors' amounts falling due after more than one year

	2012 £
Loan notes	7,387,566
Intercompany loan	9,217,288
	<hr/> 16,604,854 <hr/>

Loan notes of £6,647,440 owed to Karma Communications Group Limited are repayable in 2021. Interest on the loan notes is charged at 12%, and included in the £7,387,566 is accrued interest of £740,126.

The company has an intercompany loan owed to Karma Communications Group Limited for £8,985,749, which is redeemable in 2021. Interest on the loan is charged at LIBOR + 1% and included in the £9,217,288 is accrued interest of £231,539.

Karma Communications Group Limited do not have any intention to reclaim the loan value or interest in the foreseeable future not less than 12 months from the date of signing the audit report.

10 Called up share capital

	2012 £
<i>Allotted, called up and fully paid</i>	<hr/>
1 Ordinary share of £1 each	1
	<hr/>

The company was incorporated on 12 May 2011. On incorporation the company issued one ordinary share with a nominal value of £1.

11 Reserves

	Profit and loss account £
At beginning of period	-
Loss for the period	(744,681)
	<hr/>
At end of period	(744,681) <hr/>

12 Reconciliation of Movement in Shareholders' Funds

	2012 £
Opening shareholders' funds	-
Loss for the period	(744,681)
Share capital issued	1
	<hr/>
Closing Shareholders' deficit	(744,680) <hr/>

Notes *(continued)*

13 Related party disclosures

The company is a subsidiary undertaking of Karma Communications Holdings Limited, a company incorporated in Great Britain from 14 April 2011. The consolidated financial statements of this group are available to the public and may be obtained from Farringdon Place, 20 Farringdon Road, London, UK, EC1M 3HE.

As at 30 April 2012, the majority shareholder of Karma Communications Holdings Limited is Phoenix Equity Nominees Limited. Phoenix Equity Nominees Limited is a nominee company that holds shares on behalf of the Limited Partners that constitute Phoenix Equity Partners 2010 LP, and co-investors that constitute Phoenix Equity Partners Limited 2010 GP LP. These are private collective investment schemes advised by Phoenix Equity Partners 2010 Guernsey Limited, the ultimate controlling party for Karma Communications Holdings Group and its subsidiaries.

The accounts of Phoenix Equity Partners 2010 Guernsey Limited (which do not reflect the consolidation of the group) are available from the Company Secretary at 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey Channel Islands, GY1 2HL.

14 Post Balance sheet events

There were no post balance sheet events.