12 Yard Productions (Investments) Limited

Directors' report and financial statements

Registered number 4195187
Year ended 31 December 2011

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011 The comparatives are for the year ended 31 December 2010

Principal activities and business review

The principal activity of 12 Yard Productions (Investments) Limited, "the Company", is to produce game shows and reality and factual entertainment shows The Company also exists to actively support the growth of the following television and rights exploitation entities David Young 12 Yard Productions Limited, 12 Yard (North) Productions Limited and 12 Yard Holdings Incorporated

The Company operates mainly in the UK and derives revenues from the following sources production revenues, distribution revenues, format revenues and other revenues (including music publishing and merchandising)

The results for the company show a loss of £312,532 (2010 loss of £12,366,280) for the year and sales of £12,710,011 (2010 £9,925,397)

Key performance indicators (KPIs)

Revenue change compared with prior year: 28% (No revenue in 2009 for comparison)
Revenue has increased as a result of the full year impact of contracts negotiated in 2010/11

Change in cost of sales compared with prior year: 38% (No cost of sales in 2009 for comparison)
Cost of sales has increased due to new contracts with slightly reduced margins on some of these

Future outlook

The key objective for the Company is to create and own returnable and internationally exploitable entertainment formats Key actions to help meet these challenges are

- Focus on returnable entertainment formats that can be produced in high volume for the UK
- Focus on entertainment formats which can be sold internationally both as changed format and as finished tape
- Focus on maximising off-air revenues through merchandising and licensing of entertainment properties

Principal risks and uncertainties
The management of the business and execution of the company's strategy are subject to a number of risks

- Continuing pressure on budgets from Broadcasters In order to mitigate this risk the Company looks to maximise its scale and expertise in formatted entertainment to amortise costs across our productions As all of formats have international potential we also look to grow revenues from foreign sales
- Increased competition for international markets for formatted entertainment In order to mitigate this risk the Company takes comfort from the excellent relationships it has with UK broadcasters Success in the UK of our formats gives us a much greater chance of international success than many of our rivals

Directors' Report *(continued)*

Dividends

The directors do not recommend the payment of a dividend (2010 £nil)

Directors

The directors who held office during the year and as at the date of this report were as follows

Katherine Little	(resigned 5 September 2011)
John Whiston	(resigned 3 July 2012
Andrew Culpin	(appointed 5 September 2011)
David McGraynor	(appointed 3 July 2012)
Denise O'Donoghue	(appointed 3 July 2012)

Political and charitable contributions

The Company made no political or charitable donations or incurred any political expenditure during the year (2010 £nil)

Employment policies

The employment policies of the Company are disclosed in the accounts of ITV plc for the year ended 31 December 2011 A copy of the accounts of ITV plc can be obtained from the Company Secretary at the registered office address

Creditor payment policy

The Company's policy, in relation to all it's suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions The Company does not follow any code or standard on payment practice

Disclosure of information to auditors

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 auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG Audit plc will therefore continue in office

By order of the board

David McGraynor
Director

7 September 2012

The London Television Centre
Upper Ground
London
SE1 9LT

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 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 12 Yard Productions (Investments) Limited

We have audited the financial statements of 12 Yard Productions (Investments) Limited for the year ended 31 December 2011 set out on pages 7 to 15 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 set out on page 5, 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 31 December 2011 and of its loss for the year 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

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

M Summerfield

Mark Summerfield (Senior Statutory Auditor)
for and on behalf of KPMG Audit plc, Statutory Auditor — 13 September 2012
Chartered Accountants
15 Canada Square
London E14 5GL

Profit and loss account

	Note	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Turnover	1	**12,710,011**	9,925,397
Cost of Sales		**(9,858,090)**	(7,156,010)
Gross Profit		**2,851,921**	2,769,387
Share of partnership profit		**-**	80,095
Operating costs		**(3,594,062)**	(1,130,951)
Operating profit		**(742,141)**	1,718,531
Write down of investments		**-**	(14,444,236)
Interest receivable and similar income	5	**417,235**	355,832
Interest payable and similar charges	6	**(69)**	(16)
Loss on ordinary activities before taxation		**(324,975)**	(12,369,889)
Taxation	7	**12,443**	3,609
Loss for the financial year		**(312,532)**	(12,366,280)

The results stated above are all derived from continuing activities

A statement of total recognised gains and losses has not been included as part of these financial statements as the Company made no gains or losses in the year other than those disclosed above in the profit and loss account

A note on historical cost profits and losses has not been included as part of these financial statements since the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis

The notes on pages 9 to 15 form part of these financial statements

Balance sheet

	Note	31 December 2011 £	31 December 2010 £
Fixed assets			
Tangible assets	8	6,643	21,445
Investments	9	3,138,464	3,138,464
		3,145,107	3,159,909
Current assets			
Stock	10	3,528,247	2,331,391
Debtors	11	12,435,503	11,798,321
Cash at bank and in hand		9,701	8,696,533
		15,973,451	22,826,245
Current liabilities			
Creditors amounts falling due within one year	12	(11,613,273)	(18,168,337)
Net current assets		4,360,178	4,657,908
Total assets less current liabilities		7,505,285	7,817,817
Net assets		7,505,285	7,817,817
Capital and reserves			
Called up share capital	14	1	17,582,701
Profit and loss reserve	15	7,505,284	(9,764,884)
Equity shareholders' funds		7,505,285	7,817,817

The notes on pages 9 to 15 form part of these financial statements

These financial statements were approved by the board of directors on 7 September 2012 and were signed on its behalf by

David McGraynor
Director

Registered number 4195187

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 Company's 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 information about the Company as an individual undertaking and not about its group

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of ITV plc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of ITV plc, within which this Company is included, can be obtained from the registered office at The London Television Centre, Upper Ground, London SE1 9LT

Going concern

The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries As such, the Company is dependent for its working capital on funds provided to it by ITV plc, the Company's ultimate parent company ITV plc has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available As at the date of approval of these financial statements, the directors of the Company have no reason to believe that this financial support will not be forthcoming in the event that it is required

On this basis, and on their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Turnover

Turnover represents amounts receivable in respect of the production of television programmes and the exploitation of rights during the year, excluding Value Added Tax Revenue is recognised upon delivery of the programme Key classes of revenue are recognised on the following basis

Programme production	on delivery
Programme rights	when rights are contracted and available for exploitation

Depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Fixtures and fittings	3 to 4 years
Computer equipment	3 to 4 years

Stock and work in progress
Project development and programme costs, carried forward under work in progress, are stated at the lower of cost and net realisable value

Taxation
The charge for taxation is based on the profit 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, without discounting, 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, except as otherwise required by FRS 19

Deferred tax assets are recognised to the extent that it is more likely than not that the asset will be recovered

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

Investments
Investments are stated at cost less provision for any permanent diminution in value In the opinion of the directors the aggregate value of the investments is not less than the amount at which they are stated in the financial statements

2 Staff costs

The average number of persons employed by the Company (excluding directors) during the year was 19 (2010 11)

The aggregate payroll costs of these persons were as follows

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Wages and salaries	**2,930,368**	1,182,961
Social security costs	**216,318**	122,098
Other pension costs	**134,381**	12,059
Internal staff recharge	**(2,456,164)**	(506,825)
	824,903	810,293

3 Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging the following

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Depreciation of owned tangible assets	**14,802**	17,412

4 Directors emoluments and auditors remuneration

No director received any remuneration for their services to the Company (2010 £nil)

The auditors' remuneration of £1,500 (2010 £1,500) was borne by another Group company

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, ITV plc

5 Interest receivable and similar income

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Interest receivable on balances with Group undertakings	**396,853**	-
Bank interest receivable	**20,382**	355,832
	417,235	355 832

6 Interest payable and similar charges

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Bank interest payable and similar charges	**69**	16

7 Taxation

Analysis of credit/(charge) in year

	£	**Year ended 31 December 2011 £**	£	Year ended 31 December 2010 £
UK corporation tax				
Corporation tax on income for the period	-		-	
Adjustment in respect of prior periods	-		-	
Total current tax credit		-		
Deferred tax (see note 13)				
Origination/reversal of timing differences	**12,696**		**3,735**	
Effect of decreased tax rate	**(253)**		**(126)**	
Total deferred tax credit		**12,443**		3,609
Tax credit on loss on ordinary activities		**12,443**		3,609

The current tax credit for the year is lower (2010 credit, lower) than the standard rate of corporation tax in the UK of 26 5% (2010 28%)

7 Taxation *(continued)*

The differences are explained below

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Current tax reconciliation		
Loss on ordinary activities before tax	**(324,975)**	(12,369,889)
Current tax credit at 26 5% (2010 28%)	**86,118**	3,463,569
Effects of		
Permanent differences and group relief	**(72,663)**	(3,459,834)
Depreciation for the period in excess of capital allowances	**(13,455)**	(3,735)
Total current tax credit (see above)	**-**	-

Factors that may affect the future current and total tax charges

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 percent with effect from 1 April 2011 and a further reduction to 25 percent with effect from 1 April 2012 These changes became substantively enacted on 29 March 2011 and 5 July 2011 respectively and therefore the effect of these rate reductions creates a reduction in the deferred tax(asset/liability) which has been included in the figures above

The 2012 Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

8 Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 January 2011 and 31 December 2011	**7,590**	**31,267**	**38,857**
Depreciation			
At 1 January 2011	(5,564)	(11,848)	(17,412)
Charge for the year	(1,351)	(13,451)	(14,802)
At 31 December 2011	**(6,915)**	**(25,299)**	**(32,214)**
Net book value			
At 31 December 2011	**675**	**5,968**	**6,643**
At 31 December 2010	2,026	19,419	21,445

9 Fixed asset investments

	Total
	£
Cost	
At 1 January 2011 and 31 December 2011	17,582,700
Provision for impairment	
At 1 January 2011 and 31 December 2011	14,444,236
Net book value	
At 31 December 2011	**3,138,464**
At 31 December 2010	3 138,464

At 31 December 2011 the Company owns 100% of the ordinary share capital of the following companies

Company	Country of registration or incorporation
David Young 12 Yard Productions Limited	England and Wales
12 Yard Productions Limited (Dormant)	England and Wales
12 Yard (North) Productions Limited	England and Wales
12 Yard Holdings Inc	United States of America

The principal activity of each of these subsidiary companies is the production of television programmes and exploitation of rights

The company holds DY12's shareholding in the following Group companies 12 Yard Productions Limited, 12 Yard (North) Productions Limited and the Partnerships shareholding in 12 Yard Holdings Inc All of these investments had previously been fully provided against and thus the transfer had been made at £nil NBV

10 Stock

	31 December 2011	31 December 2010
	£	£
Work in progress	**3,528,247**	2,331,391

11 Debtors

	31 December 2011 £	31 December 2010 £
Trade debtors	**384**	282,770
Other debtors	**97,027**	101,517
Amounts owed by Group undertakings	**10,553,030**	7,932,704
Deferred taxation (see note 13)	**15,856**	3,413
Prepayments and accrued income	**1,769,206**	3,477,917
	12,435,503	11,798,321

12 Creditors amounts falling due within one year

	31 December 2011 £	31 December 2010 £
Trade creditors	**183,203**	21,936
Other creditors	**850,513**	302,878
Amounts owed to Group undertakings	**8,220,907**	17,073,191
Accruals and deferred income	**2,358,650**	770,332
	11,613,273	18,168,337

13 Deferred taxation

The movement in deferred taxation is as follows

	£
Deferred tax asset as at 1 January 2011	**3,413**
Credit for the year (see note 7)	**12,443**
Deferred tax asset as at 31 December 2011	**15,856**

	31 December 2011 £	31 December 2010 £
The elements of deferred taxation are as follows		
Accelerated capital allowances	**15,856**	3,413
	15,856	3,413

A deferred tax asset is recognised because the Directors believe that the future taxable profits are in excess of those arising from the reversal of the deferred tax asset

14 Share capital

	31 December 2011 £	31 December 2010 £
Issued and fully paid		
1 ordinary share (2010 17,582,701) of £1	1	17,582,701

On 10 October 2011 pursuant to Chapter 10 Part 17 of the Companies Act 2006, the directors passed a special resolution cancelling 17,582,700 issued ordinary £1 shares reducing the issued share capital to 1 ordinary share of £1 The resulting credits have been posted to the Distributable Reserves

15 Reconciliation of movements in shareholders' funds

	Share capital £	Profit and loss account £	Total £
At 1 January 2011	17,582,701	(9,764,884)	**7,817,817**
Capital reduction	(17,582,700)	17,582,700	-
Profit for the year	-	(312,532)	**(312,532)**
At 31 December 2011	**1**	**7,505,284**	**7,505,285**

16 Contingent liabilities

Under a group registration, the Company is jointly and severally liable for VAT at 31 December 2011 of £35 million (31 December 2010 £39 million)

The Company and certain other group companies have entered into an arrangement for a joint bank account with Barclays Bank PLC and are jointly and severally liable in respect of any overdraft arising on the group joint bank account At 31 December 2011 this contingent liability amounted to £nil (31 December 2010 £nil)

In the opinion of the directors, adequate allowance has been made in respect of this matter

17 Ultimate parent company

At 31 December 2011 the Company's immediate parent company was ITV Studios Limited, a company registered in England and Wales and the Company's ultimate parent company was ITV plc, a company incorporated and registered in England and Wales

The largest and smallest group in which the results of the Company were consolidated was that headed by ITV plc The consolidated accounts of ITV plc are available to the public and may be obtained from www itvplc com or the Company Secretary, The London Television Centre, Upper Ground, London, SE1 9LT