Zeppotron Limited

Annual report and financial statements

Year ended 31 December 2014

Registered number 06057667

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Officers and professional advisers

Directors

L Hicks
T Hincks
P Holmes
R Johnston

Company Secretary

J Parsons

Auditor

KPMG LLP
Chartered Accountants and Statutory Auditor
15 Canada Square
London
E14 5GL

Bankers

Barclays Bank Plc
27 Soho Square
London
W1D 3QR

Registered Office

Shepherds Building Central
Charecroft Way
Shepherds Bush
London
W14 0EE

Strategic report

The directors present their annual report and audited financial statements of Zeppotron Limited ("the Company") for the year ended 31 December 2014.

Results

The profit for the year after taxation is £3,621,000 (2013: £2,547,000). The Company had net assets of £9,031,000 as at 31 December 2014 (2013: £5,410,000). The directors do not recommend the payment of a dividend (2013: £nil) and accordingly the retained profit has been transferred to reserves.

Principal activities and review of the business

The principal activity of the Company is that of television programme production.

The Company uses the following financial key performance indicators ("KPIs") to analyse and to understand the development, performance and position of the Company:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Turnover	**14,193**	15,387
Operating profit	**2,443**	2,547
Profit after tax	**3,621**	2,547
Shareholders' funds	**9,031**	5,410
Current assets as multiple of current liabilities	**3.99**	3.11

Turnover is 8% lower than the prior year. Production income has decreased due to several programmes not being recommissioned in 2014 partly offset by increased distribution revenues.

Operating profit has decreased from the prior year due to the lower production revenue received.

Profit after tax has increased due to the sale of intellectual property rights on several formats that were sold to another group company, House Of Tomorrow Limited.

The Company has met the requirements in the Company Act 2006 to obtain the exemption provided from the disclosure of the non-financial KPI section of the enhanced business review.

Principal risks and uncertainties

In common with all television production companies the key risks are:

- The uncertainty regarding the long-term viability of the current commercial broadcasting model, as advertising revenues come under increasing pressure from audience fragmentation, time-shifted viewing, on demand viewing and the current economic climate.
- The retention and motivation of the key talent that develop and sell projects to the Company's main broadcast customers.
- The risk that the Company's television formats are not commissioned by broadcasters.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

The directors are satisfied that sufficient progress is being made in adapting the Company's business model to reflect the changing environment.

The Company has in place various incentive and retention schemes to help underpin the retention and motivation of key talent.

Relationships with key commissioners and channel controllers within customer's businesses are actively maintained through the Company's key talent and the senior management team.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, liquidity risk and cash flow risk.

Credit risk
The Company's principal financial assets are bank balances, cash and trade debtors.

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debtors. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The majority of the Company's trade debtor balance is due from the main UK broadcasters which the directors consider to be a low credit risk. The Company has no significant concentration of the remaining credit risk, with exposure spread over a large number of counterparties and customers. The company continues to manage this risk by continually monitoring the credit worthiness of its client list.

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company places excess funds on an intercompany deposit that can be recalled at any time. An intercompany borrowing facility is available if required.

Cash flow risk
The Company's activities expose it, primarily, to the financial risks of changes in foreign currency exchange rates. Significant foreign currency transactions are hedged.

Future developments

The Company had a profitable year with a number of successful shows being re-commissioned during the year and increasing income from the distribution of finished programmes. The directors believe that the Company is well positioned to deliver growth in 2015.

After making enquiries, 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 the financial statements

By order of the board

R Johnston
Director

29 September 2015

Directors' report

The directors present their report for the year ended 31 December 2014.

Proposed Dividend

The directors do not recommend the payment of a dividend (2013: £nil) and accordingly the retained profit has been transferred to reserves.

Directors

The directors who held office during the year and up to the date of this report, except where noted, were as follows:

C Brooker	(Resigned 23 January 2014)
B Caudell	(Resigned 24 October 2014)
L Church	(Resigned 1 September 2015)
L Hicks	(Appointed 1 September 2015)
T Hincks	
P Holmes	
R Johnston	
A Jones	(Resigned 23 January 2014)

Political contributions

The Company made no political contributions during the year (2013: £nil).

Auditor

The auditor during the year was KPMG LLP.

Disclosure of information to the 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 individually unaware; and each director has taken all the steps that they ought to have taken as a director in order to make themselves 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 s418 of the Companies Act 2006.

Approved by the Board of Directors
And signed on behalf of the Board

R Johnston
Director
Shepherds Building Central
Charecroft Way
Shepherds Bush
London
W14 0EE

29 September 2015

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 ZEPPOTRON LIMITED

We have audited the financial statements of Zeppotron Limited (the Company) for the year ended 31 December 2014 set out on pages 7 to 16. 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 Directors' Responsibilities Statement 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014 and of its profit 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

29 September 2015

Profit and loss account

for the year ended 31 December 2014

	Note	**Year ended 31 December 2014 £000**	Year ended 31 December 2013 £000
Turnover	*2*	**14,193**	15,387
Cost of sales		**(10,200)**	(11,415)
Gross profit		**3,993**	3,972
Administrative expenses		**(1,550)**	(1,425)
Operating profit		**2,443**	2,547
Profit on the sale of intangible assets	*3*	**1,178**	-
Profit on ordinary activities before taxation	*3*	**3,621**	2,547
Tax on profit on ordinary activities	*6*	-	-
Retained profit for the year	*12*	**3,621**	2,547

The above results are derived from continuing operations.

Statement of total recognised gains and losses

There were no recognised gains or losses for either year other than the profit above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 9 to 16 form an integral part of these financial statements.

Balance sheet
as at 31 December 2014

	Note	**As at 31 December 2014 £000**	As at 31 December 2013 £000
Fixed assets			
Intangible assets	*7*	-	-
Current assets			
Work in progress	*8*	**522**	96
Debtors	*9*	**11,511**	7,832
Cash at bank and in hand		**20**	48
		12,053	7,976
Creditors: amounts falling due within one year	*10*	**(3,022)**	(2,566)
Net current assets		**9,031**	5,410
Net assets		**9,031**	5,410
Capital and reserves			
Called-up share capital	*11*	-	-
Profit and loss account	*12*	**9,031**	5,410
Shareholders' funds	*12*	**9,031**	5,410

The financial statements of Zeppotron Limited (registered number 6057667) were approved by the Board of Directors on 29 September 2015.

Signed on behalf of the Board of Directors

R Johnston
Director

The notes on pages 9 to 16 form an integral part of these financial statements.

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently throughout the year and the preceding year in relation to the Company's financial statements:

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards on a basis consistent with prior years.

Going concern

After making enquiries, the directors have reviewed the financial position of the Company, including the arrangements with group undertakings, and believe that the Company has adequate resources to continue in operational existence for the foreseeable future and to successfully manage the identified risks and uncertainties described in the Strategic report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Revenue recognition

Turnover represents the amounts received or receivable for goods provided and work done for customers exclusive of value-added tax. Turnover and related costs from television production are recognised once production, on an episodic basis, is substantially complete.

Royalty income is recognised on an accruals basis where sufficient evidence of amounts due can be obtained or calculated. Non-refundable advances on royalties are recognised once a contract is in place and the contractual obligations have been fulfilled. Refundable advances on royalties are recorded on the balance sheet as deferred income and are credited to income as royalties are recouped.

Amounts due under agreements for which contractual obligations have not been fulfilled and which have not been credited to income are included on the balance sheet as deferred income.

Taxation and deferred taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets are amortised on a straight-line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Work in progress

Work in progress is valued at the lower of cost and net realisable value, and generally represents deferred production costs incurred on incomplete productions and is considered fully recoverable.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Pensions

The Company pays pension contributions into various individuals' own money purchase pension schemes as part of the Endemol UK Limited pension scheme. The assets of the schemes are held separately from those of the Company in an independently administered fund. The charge to the profit and loss account comprises the total contributions payable in the period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Exchange differences are taken to the profit and loss account for the year.

Cash flow statement

The Company has taken advantage of the exemptions under Financial Reporting Standard No. 1: *Cash Flow Statements (revised 1996)* not to produce a cash flow statement on the grounds that it is a wholly-owned subsidiary undertaking and the consolidated financial statements of its ultimate parent undertaking include a cash flow statement and are publicly available (see note 17).

2 Segmental information

In the view of the directors, Zeppotron Limited has only one business segment, which includes television programme production and related distribution, to which all turnover, net assets and profit before tax can be attributed.

The origin of all turnover, net assets and profit before tax is the United Kingdom. Turnover by destination is analysed below:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Turnover by destination		
UK	**14,090**	15,205
Europe	**83**	182
Rest of the World	**20**	-
	14,193	15,387

Notes to the financial statements *(continued)*

3 Profit on ordinary activities before taxation

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Profit on ordinary activities before taxation is stated after charging / (crediting):		
Staff costs (note 4)	**1,640**	1,517
Profit on sale of fixed assets – intangibles (note 15)	**(1,178)**	-
Foreign exchange loss / (gain)	**1**	(1)

During the year the Company sold format rights for £1,178,000 to another group company, House of Tomorrow Limited.

The auditor's remuneration for the audit of the financial statements of £8,000 (2013: £8,000) has been paid for by the parent company Endemol UK Limited and is included in its accounts.

4 Staff numbers and costs

The average number of persons employed by the Company (excluding directors who are employed and remunerated by parent companies) during the year was as follows:

	Year ended 31 December 2014 Number of employees	Year ended 31 December 2013 Number of employees
Production	**6**	8
Administration	**1**	1
	7	9

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Wages and salaries	**1,404**	1,349
Social security costs	**192**	124
Pension costs (see note 13)	**44**	44
	1,640	1,517

Notes to the financial statements *(continued)*

5 Directors' emoluments

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Emoluments	**465**	464
Company contributions to money purchase pension schemes	**18**	19
	483	483

Remuneration of highest paid director:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Emoluments	**365**	337
Company contributions to money purchase pension schemes	**11**	11
	376	348

Two of the directors (2013: three) who served during the year were executive directors and their remuneration is shown above.

Five (2013: three) of the directors who served during the year were also directors of other group companies and all five (2013: five) were employed by and remunerated by those companies. Their remuneration is disclosed in the financial statements of those companies.

The portion of these emoluments that relate to services to Zeppotron Limited is estimated to be £73,000 (2013: £349,000). These costs are not recharged to Zeppotron Limited and are not included in the table above.

All of the directors accrued pension benefits during the year under the Endemol UK Limited defined contribution money purchase pension scheme.

Notes to the financial statements *(continued)*

6 Taxation

The tax charge for the year is £nil (2013: £nil).

Factors affecting the tax charge

The current tax charge for the year is lower (2013: lower) than the blended UK 21.5% rate of corporation tax (2013: blended UK 23.25% rate of corporation tax). The differences are explained below:

	Year ended 31 December 2014 £000	Year ended 31 December 2013 £000
Profit on ordinary activities before taxation	**3,621**	2,547
Profit on ordinary activities multiplied by 21.5% (2013: 23.25%)	**779**	592
Effects of:		
Expenses not deductible for tax purposes	**2**	2
Non-taxable profit on sale of intangibles	**(253)**	-
Group relief	**(528)**	(594)
Current tax charge	**-**	-

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly.

7 Intangible assets

	Intellectual property £000
Cost:	
At 1 January 2014	2,900
Disposals	(1,511)
At 31 December 2014	**1,389**
Amortisation:	
At 1 January 2014	2,900
Disposals	(1,511)
At 31 December 2014	**1,389**
Net book value:	
At 1 January 2014 and 31 December 2014	-

The disposals above relate to the intellectual property of several formats that are considered to be at the end of their economic life and had been impaired to £nil in previous years.

Notes to the financial statements *(continued)*

8 Work in progress

	As at 31 December 2014 £000	As at 31 December 2013 £000
Work in progress	**522**	96
	522	96

9 Debtors

	As at 31 December 2014 £000	As at 31 December 2013 £000
Trade debtors	**1**	2,903
Amounts owed by group undertakings	**10,327**	4,731
Other debtors	**22**	-
Prepayments and accrued income	**1,161**	198
	11,511	7,832

10 Creditors: amounts falling due within one year

	As at 31 December 2014 £000	As at 31 December 2013 £000
Trade creditors	**319**	1
Other taxation and social security	**237**	344
Other creditors	**1**	-
Accruals and deferred income	**2,465**	2,221
	3,022	2,566

11 Called-up share capital

	As at 31 December 2014 £	As at 31 December 2013 £
Authorised		
Equity: 30,000 Ordinary A shares of £0.01 each	**300**	300
Equity: 13,360 Ordinary B shares of £0.01 each	**134**	134
	434	434
Allotted, called-up and fully paid		
Equity: 30,000 Ordinary A shares of £0.01 each	**300**	300
Equity: 13,360 Ordinary B shares of £0.01 each	**134**	134
	434	434

Notes to the financial statements *(continued)*

12 Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 2014	-	5,410	5,410
Retained profit for the year	-	3,621	3,621
At 31 December 2014	-	**9,031**	**9,031**

13 Pension obligations

The Company's pension charge for the year under the Endemol UK Limited scheme was £44,000 (2013: £44,000) (see note 4).

Contributions totalling £3,000 (2013: £6,000) were payable to the fund as at the year-end and are included within creditors: amounts falling due within one year.

14 Contingent Liabilities

As of the 31st December 2014, MediArena Acquisition B.V. (see note 17) had obtained debt financing consisting of in total:

- EUR 125 million multi-currency Senior Secured 1st Lien Revolving Credit Facility; and
- USD 885 million + EUR 235 million + GBP 50 million Senior Secured 1st Lien Term Loans
- USD 457 million Senior Secured 2nd Lien Term Loans

Within the context of this debt financing, guarantees are provided by several operating subsidiaries within the Endemol Shine Group, including Zeppotron Limited. These subsidiaries represent at least 90% of Consolidated Total Assets (as defined in the Credit Agreements).

15 Related parties

As a wholly-owned subsidiary of Endemol UK Limited and ultimately AP NMT JV Newco B.V., whose financial statements are publicly available, the Company has taken advantage of the exemption in Financial Reporting Standard No. 8: Related Party Disclosures, regarding the disclosure of related party transactions with other wholly-owned subsidiaries of the group.

During the year the Company sold format rights for £1,178,000 to another group company, House of Tomorrow Limited. House of Tomorrow Limited's parent company House of Tomorrow Holdings Limited is 51% owned by Endemol UK Limited and 49% owned by two former directors of the Company with each owning 24.5%.

There were no other related party transactions outside of the Group during the year (2013: none).

16 Post balance sheet events

On 14 July 2015 the Company incorporated a fully owned subsidiary, Zeppotron Drama Limited, with 1 £1 ordinary share.

Notes to the financial statements *(continued)*

17 Ultimate parent undertaking and immediate parent undertaking

The immediate parent undertaking is Endemol UK Limted which is incorporated in Great Britain and registered in England and Wales.

As at 1 January 2014, the ultimate parent company was Edam Acquisition Holding I Coöperatief U.A. which was ultimately, jointly and equally owned by (i) Stichting Victorie II, an entity managed by Intertrust Management B.V., (ii) Dasym Edam Holding B.V. (17.84%) & Dasym Edam Holding C.V. (15.49%) (formerly: Cyrte Fund II B.V. and Cyrte Fund II C.V., together "Dasym") and (iii) funds affiliated to the Goldman Sachs Group Inc. ("Goldman Sachs").

On 13 June 2014 both Dasym and Goldman Sachs transferred their ownership of 33.33% each to Stichting Grapefruit and Stichting Apple respectively, both of which are Dutch foundations separately managed by Orangefield (Netherlands) B.V. and TMF Management B.V..

On 13 August 2014 an intermediate parent of the Company, Endemol B.V., sold its shares in its subsidiary Endemol Holding B.V., which is also an intermediate parent of the Company, to AP NewMountainTopper 2 C.V. AP NewMountainTopper 2 C.V. subsequently sold its shares in Endemol Holding B.V. to AP NewMountainTopper 4 B.V. on the same day. Both AP NewMountainTopper 2 C.V. and AP NewMountainTopper 4 B.V. are entities affiliated to the Apollo Group headed by Apollo Global Management LLC.

On 12 December 2014, an affiliate of Twenty-First Century Fox Inc. ("Fox") and funds managed by Apollo Global Management, LLC ("Apollo") formed Endemol Shine Group to which Fox contributed its interests in the Shine Group and Apollo contributed its interests in the Endemol Group. The joint venture, a global multi-platform content provider, is comprised of the Shine Group, the Endemol Group, and the CORE Media Group and is jointly owned by Fox and Apollo, with each owning 50%.

The smallest group in which the 2014 results of the Company are consolidated is that headed by MediArena Acquisition B.V.. Financial statements for MediArena Acquisition B.V. are publicly available and can be obtained from MediArena 1, 1114 BC Amsterdam-Duivendrecht, PO Box 12133, 1100 AC Amsterdam, the Netherlands.

The largest group in which the 2014 results of the Company are consolidated is AP NMT JV Newco B.V., a company registered in the Netherlands. Financial statements for AP NMT JV Newco B.V. are publicly available and can be obtained from MediArena 1, 1114 BC Amsterdam-Duivendrecht, PO Box 12133, 1100 AC Amsterdam, the Netherlands. AP NMT JV Newco B.V. is owned jointly by Twenty-First Century Fox Inc. and funds managed by Apollo Global Management, LLC.