Content Media Corporation International Limited

Financial statements

For the year ended 31 March 2013

Registered number : 3040413

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2013.

Principal activity and business review

The principal activity of the company is as a sales agent for film and television producers and licensers.

The company expects to continue to exploit its existing film and television rights in the future, and to acquire new rights outright or rights it will control and sell on behalf of third party producers.

Results and dividends

The loss for the financial year before tax was £38,205,262 *(2012: profit £1,207,321)*.

No dividends were paid or proposed during the year *(2012: £nil)*.

The board considers the company's key performance indicator is profit before tax as above.

Exceptional items

The company has taken up provisions against the amounts owed by intercompany debtors to the extent that those amounts are not covered by the net assets of those companies. For the year ended 31 March 2013 this has resulted in a charge to the profit and loss account of £39,106,994 *(2012: £216,580)*.

Directors and directors' interests

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

J Schmidt
G Webb

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which 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 proper accounting records that 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Directors' report *(continued)*

Principal risks and uncertainties
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately.

Accordingly, the principal risks and uncertainties of Content Media Corporation Limited, the Company's ultimate undertaking are discussed within the 'Principal risks and uncertainties' paragraph in the directors' report of the financial statements of Content Media Corporation plc, which do not form part of this report.

Auditors
Grant Thornton UK LLP offer themselves for re-appointment as auditors in accordance with section 487(2) of the Companies Act 2006.

By order of the board

G Webb
Secretary

19 Heddon Street
London
W1B 4BG

23 December 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONTENT MEDIA CORPORATION INTERNATIONAL LIMITED

We have audited the financial statements of Content Media Corporation International Limited for the year ended 31 March 2013 which comprise the profit and loss account, balance sheet, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 1, 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 March 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Mark Henshaw
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 23 December 2014

Profit and loss account
for the year ended 31 March 2013

	Note	2013 £	2012 £
Turnover	2	**21,570,857**	18,510,739
Cost of sales		**(14,325,496)**	(11,017,592)
Gross profit		**7,245,361**	7,493,147
Operating Expenses		**(6,433,560)**	(6,225,048)
Operating profit		**811,801**	1,268,099
Exceptionals		**(39,106,994)**	(216,580)
Operating (loss)/profit after exceptionals		**(38,295,193)**	1,051,519
Net interest receivable	6	**89,931**	155,802
(Loss)/profit on ordinary activities before taxation		**(38,205,262)**	1,207,321
Tax (charge)/credit on profit on ordinary activities	8	**(387,066)**	807,113
(Loss)/profit for the financial year		**(38,592,328)**	2,014,434
Profit and loss account brought forward		**(9,932,135)**	(11,946,569)
Profit and loss account carried forward		**(48,524,463)**	(9,932,135)

Turnover and results reported above all relate to continuing operations.

There were no recognised gains or losses during either year other than the results reported above.

Balance sheet
at 31 March 2013

	Note	2013	2012
		£	£
Fixed Assets			
Tangible assets	*9*	**8,622**	6,866
Current assets			
Stocks	*10*	**8,965,940**	7,182,263
Debtors	*11*	**59,800,255**	71,541,139
Cash at bank and in hand		**85,261**	100,647
		68,851,456	78,824,049
Creditors: amounts falling due within one year	*12*	**(109,262,604)**	(84,647,252)
Net liabilities		**(40,402,526)**	(5,816,337)
Capital and reserves			
Called up share capital	*14*	**2**	2
Share option reserve	*13*	**716,567**	648,627
Translation Reserve	*13*	**7,405,368**	3,467,169
Profit and loss account	*13*	**(48,524,463)**	(9,932,135)
Equity shareholders' deficit	*15*	**(40,402,526)**	(5,816,337)

These financial statements were approved by the board of directors on 23 December 2014 and were signed on its behalf by:

G Webb
Director

Registered number : 3040413

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies remain unchanged from the previous year and 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, under the historical cost convention and on the going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Content Media Corporation Limited, the Company's ultimate holding undertaking. Content Media Corporation Limited 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. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

FRS 20 Share Based Payment

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2006 are recognised in the financial statements.

- All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).
- All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to profit and loss reserves.
- If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.
- Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of film and television project inventory, cost is taken as direct costs incurred for the production of or the acquisition of sales rights for film and television projects less any foreseeable losses. Where the Company acts fundamentally in the management of an individual film production, attributable overhead is also included in the cost of film inventory. Interest on any loans taken out to fund specific production costs is capitalised until the date of completion.

Film and television project inventory is appraised at each balance sheet date on a project by project basis and is amortised over a maximum amortisation period of ten years. In respect of the maximum amortisation period of ten years and the resultant carrying value at each balance sheet date due regard is given to the requirement for current assets to be held at the lower of cost and net realisable value. Net realisable value is calculated on a project by project basis having regard for the present value of estimated sales less further costs of completion and unrecoupable sales expenses.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost, less the estimated residual value, of tangible fixed assets on a straight line basis at annual rates appropriate to the estimated useful economic lives of the fixed assets as follows:

Fixtures, fittings and equipment	10% - 50%
Computer equipment	$33^{1}/_{3}$%

Sales expenses

Direct costs contractually rechargeable to the licensor are included in the balance sheet and are recovered from the licensor's income collected by the Company as sales agent on behalf of the licensor; these being film and television distribution and broadcast rights. Provision is made against those direct costs when their recoverability is considered doubtful.

Income recognition

Income from the exploitation of film and television rights is recognised on a receivable basis, except where payment is dependent on the film or television project being completed or delivered, or other contractual obligations, in which case income is recognised on completion or delivery or fulfilment of any relevant obligations.

Currency translation

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 rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Pensions

The Company contributes to a funded defined contribution pension scheme. The amount charged against profits represents the contributions payable to the scheme in the year.

Taxation

The charge for taxation is based on the result 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 that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using rates of tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are not discounted.

Notes *(continued)*

1 Accounting policies *(continued)*

Cash flow statement

A cash flow statement has not been prepared because the Company is a wholly owned subsidiary of Content Media Corporation Limited and the financial statements of that company contain a consolidated cash flow statement dealing with the cash flows of the group.

Related party disclosures

Under Financial Reporting Standard 8, the Company is exempt from the disclosure of transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of Content Media Corporation Limited and its results are included in the consolidated financial statements of that company.

2 Turnover

Turnover, which excludes value added tax, represents sales agent fees and commissions and other income ancillary to the exploitation of the company's intellectual property.

An analysis of revenue by geographical destination is as follows:	**2013**	2012
	£000	£000
United Kingdom	**2,216,445**	1,730,200
Rest of Europe	**5,507,317**	9,453,585
Americas	**8,038,995**	4,180,999
Rest of World	**5,808,100**	3,145,955
	21,570,857	18,510,739

3 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	2013	2012
	£	£
Depreciation	**4,650**	4,167
Exchange (gain)/loss	**26,132**	127,124
Stock write downs	**926,878**	1,974,899
Provision against intercompany debtors	**39,106,994**	216,580
Equity settled share based payments	**67,940**	18,970

Audit fees are borne by a fellow group undertaking.

Notes *(continued)*

4 Staff numbers and costs

The average number of persons (including directors) employed by the Company during the year was 28 *(2012:34).*

	2013	2012
Sales and Marketing	**27**	25
Administration	**-**	8
Management	**1**	1
	28	34

The aggregate payroll costs of these persons was as follows:

	2013 £	2012 £
Wages and salaries	**3,307,023**	3,329,622
Social security costs	**286,816**	275,362
Pension contributions	**100,709**	143,043
	3,694,548	3,748,027

5 Directors' Emoluments

The emoluments of the Directors for the period were £nil *(2012: £nil)* and their company pension contributions made of £nil *(2012: £nil).*

6 Net interest receivable/(payable)

	2013 £	2012 £
Bank interest receivable	**89,985**	156,105
Other interest	**(54)**	(303)
	89,931	155,802

7 Tax loss on ordinary activities

	2013 £	2012 £
UK current tax		
Adjustments in respect of prior years	**-**	-
Total current tax	**-**	-
Origination and reversal of timing differences	**382,513**	(2,172,382)
Prior year	**4,553**	-
	387,066	

Notes *(continued)*

7 Tax loss on ordinary activities *(continued)*

Factors affecting the tax credit for the current year

The current tax credit for the year is lower *(2012: lower)* than the standard rate of corporation tax in the UK at 24% *(2012: 26%)*. The differences are explained below:

	2013 £	2012 £
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(38,205,262)**	1,207,321
Current tax charge at 24% *(2012: 26%)*	**(9,169,263)**	313,903
Effects of:		
Expenses not deductible for tax purposes	**9,452,647**	-
Capital allowances for the period in excess of depreciation	**1,116**	(1,683)
Increase/(utilisation) of losses	**(284,500)**	(400,895)
Movement in intercompany provision	**-**	88,675
Current tax charge for the period	**-**	-
Movement in deferred tax:		
Adjustments in respect of previous periods	**4,553**	-
Difference in deferred tax rates	**115,300**	-
Brought forward losses utilised	**267,213**	-
Total tax charge/(credit) (see above)	**387,066**	-

Factors affecting future tax charges

There are unutilised tax losses within the company of £10.3m *(2012: £11.5m)* carried forward for relief against future suitable taxable profits and for which a deferred tax asset has been recognised on £10.3m *(2012: £11.5m)*.

8 Deferred Taxation

	2013 £	2012 £
Accelerated capital allowances	**(9,245)**	(8,530)
Tax losses carried forward	**(2,375,438)**	(2,763,219)
Provision for deferred tax	**(2,384,683)**	(2,771,749)
Movement during the year		
Brought forward at 1 April	**(2,771,749)**	(1,964,636)
(Charge)/credit during the year	**382,513**	(807,113)
Prior year	**4,553**	-
Deferred taxation asset *(note 11)*	**(2,384,683)**	(2,771,749)

Notes *(continued)*

9 Tangible Fixed Assets

	Fixtures, fittings, Computer and Other Equipment Total £
Cost	
At beginning of year	89,438
Additions	6,406
Disposals	-
At end of year	95,844
Depreciation	
At beginning of year	82,572
Charge for year	4,650
Disposals	-
At end of year	87,222
Net book value	
At 31 March 2013	**8,622**
At 31 March 2012	6,866

10 Stocks

	2013 £	2012 £
Film and television project inventory	**8,965,940**	7,182,263

11 Debtors

	2013 £	2012 £
Trade debtors	**7,642,613**	5,948,128
Amounts owed by group undertakings	**37,387,523**	51,482,610
Other debtors	**2,819,006**	2,718,830
Prepayments and accrued income	**9,566,430**	8,619,822
Deferred taxation	**2,384,683**	2,771,749
	59,800,255	71,541,139

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2013	2012
	£	£
Trade creditors	**2,293,621**	1,225,794
Other creditors	**7,147,847**	6,715,901
Accruals and deferred income	**4,997,129**	4,659,942
Amounts owed to group undertakings	**94,824,007**	72,045,615
	109,262,604	84,647,252

13 Reserves

	Translation reserve	**Share option reserve**	**Profit and loss account**
At beginning of year	3,467,169	648,627	(9,932,135)
Retained profit for financial year	-	-	(38,592,328)
Exchange differences on translation of foreign operations	3,938,199	-	-
Share option charge	-	67,940	-
At end of year	**7,405,368**	**716,567**	**(48,524,463)**

14 Share capital

	2013	2012
	£	£
Authorised:		
100 ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	**2**	2

Notes *(continued)*

15 Reconciliation of movement in shareholders' deficit

	2013 £	2012 £
Shareholders' deficit brought forward	**(5,816,337)**	(7,992,360)
(Loss)/profit for the financial year	**(38,592,328)**	2,014,434
Share option reserve	**67,940**	18,970
Translation reserve	**3,938,199**	142,619
Shareholders' deficit carried forward	**(40,402,526)**	(5,816,337)

16 Equity settled share based payments

Equity settled share based payments
The Company has several share option schemes for specific employees (including directors).

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
2004 Approved Share Option Plan				
Outstanding at the beginning of the year	**5,538**	**£23.74**	4,066,718	4.6p
Cancelled during the year	**-**	**-**	(666,718)	14.2p
Granted during the year	**-**	**-**	4,250,000	1.0p
Forfeited during the year	**-**	**-**	(450,000)	1.0p
Outstanding at the end of the year	**5,538**	**£23.74**	7,200,000	1.8p
Exercisable at the year end	**2,615**	**£35.75**	3,400,000	2.75p

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
2004 Unapproved Share Option Plan				
Outstanding at the beginning of the year	**1,154**	**£13.00**	3,033,282	12.9p
Cancelled during the year	**-**	**-**	(3,033,282)	12.9p
Granted during the year	**1,770**	**0.0p**	1,500,000	1.0p
Outstanding at the end of the year	**2,924**	**£5.13**	1,500,000	1.0p
Exercisable at the year end	**1,770**	**-**	-	-

Notes *(continued)*

16 Equity settled share based payments *(continued)*

The fair values were calculated using the Black Scholes Pricing Model. The inputs into the model were as follows:

Date of Issue	No. Granted	W.A Share Price	W.A Exercise Price	Expected Volatility	Expected Life	Risk Free Rate	Expected Dividend Yield	W.A F.V at Grant Date
	No.	Pence	Pence	%	Years	%	%	Pence
30 Sep 11	**11,400,000**	**1.0p**	**1.0p**	236.10	7	3.75	0	0.99
16 Aug 06	**8,050,000**	**12.75**	**12.75**	109.33	7	4.97	0	11.17
1 Sep 06	**1,500,000**	**13.0**	**13.0**	107.59	7	4.98	0	11.32
5 Dec 06	**250,000**	**19.0**	**19.0**	101.55	7	5.27	0	16.19
12 Oct 05	**7,800,000**	**2.75**	**2.75**	112.23	7	4.57	0	2.43

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The company recognised total expenses of £67,940 *(2012: £18,970)* related to equity settled share based payment transactions during the year.

17 Capital commitments

There were no capital commitments at 31 March 2013 *(2012: £nil)*.

18 Pension scheme

The Company operates a defined contribution pension scheme. Contributions made by the Company to the scheme during the year amounted to £nil *(2012: £nil)*. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions outstanding at 31 March 2013 were £nil *(2012: £nil)*.

19 Contingent liabilities

There were no contingent liabilities at 31 March 2013 *(2012: £nil)*.

20 Ultimate controlling party

The Company is controlled by Content Media Corporation Limited, the ultimate parent Company, which is also the ultimate controlling party. The only group in which the results of the Company are consolidated is Content Media Corporation Limited. The consolidated accounts of this Company are available to the public and may be obtained from the Company's registered address, 19-21 Heddon Street, W1B 4BG.

21 JP Morgan Chase Bank Guarantee

In relation to a Credit and Guarantee Agreement (the Agreement) dated March 26 2004, between JP Morgan Chase Bank, the Company's parent company Content Media Corporation Limited, and a related group company ContentFilm Inc, the Company has provided a guarantee to JP Morgan Chase Bank in relation to the repayment of all amounts owing under the Agreement. Further JP Morgan Chase Bank have a security interest over the assets of the Company and its shares. The balance of the bank facility in Content Media Corporation Limited as at 31 March 2013 was £21.6m *(2012: £20.2m)*.

Notes *(continued)*

22 Post Balance Sheet Event

The Company's parent company Content Media Corporation Limited, and a related group company Content Media Corporation (the 'borrowers'), renewed the loan facility on 14 June 2013 in an amended and restated credit agreement which was originally dated 26 March 2004. The Agreement is between the 'borrowers' and JPMorgan Chase Bank NA and is currently syndicated out amongst three banks, including JPMorgan. The loan provides for a $US 40m revolving senior credit facility which matures on 1 August 2016.

The interest rate on the Loan approximates to the LIBOR publicly announced by the Administrative Agent plus four and one half per cent (4.5%).