

Lion Television Limited

Directors' report and financial statements

for the year ended 31 August 2007

Registered number 3336416



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Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 August 2007

Principal activity and review of the business

The principal activity of the company is the production of television programmes. The directors do not anticipate any changes in those activities over the coming year.

Results and Dividends

The company's profit for the year is £1,502,159 (2006 £2,041,680). The aggregate dividends on ordinary shares recognised as an expense during the year amounts to £1,500,000 (2006 £1,500,000) excluding proposed dividends that have yet to be approved by the balance sheet date.

Future outlook

The commercial environment in which the company operates remains competitive, but the directors believe that the company's position as one of the leading television production companies will enable it to maintain its current position in the future.

Principal risks and uncertainties

The key business risks and uncertainties affecting the company relate to the general economic environment, competition from other television producers and success of the company's programming. Further discussion of these risks and uncertainties, in the context of the ALL3MEDIA group (the "group") as a whole, is provided on page 3 of the group's annual report which does not form part of this report.

Key performance indicators ("KPIs")

The directors of ALL3MEDIA Holdings Limited manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Lion Television Limited. The development, performance and position of ALL3MEDIA Holdings Limited, which includes the company, is discussed on page 3 of the group's annual report which does not form part of this report.

Disclosure of information to auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

S Morrison
J Burns
J Pfeil
R Bradley
N Catliff
J Mills
S Meer

None of the directors who held office at the end of the year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the year

At 31 August 2007, S Morrison, J Burns and J Pfeil were also directors of ALL3MEDIA Holdings Limited, the ultimate parent company, and their share interests are disclosed in the directors report of that company

Director's indemnity

The Company maintains liability insurance for its directors and officers

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual 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). The financial statements are required by law to 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 those 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 confirm that they have complied with the above requirements in preparing the financial statements

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 1985. 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.

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the annual general meeting.

By order of the board



J C Pfeil
Company secretary

10/04/08

Independent auditors' report to the members of Lion Television Limited

We have audited the financial statements of Lion Television Limited for the year ended 31 August 2007 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

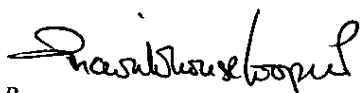
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2007 and of the company's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

10 April 2008

Profit and loss account for the year ended 31 August 2007

	<i>Note</i>	2007 £	2006 £
Turnover	<i>1</i>	26,718,791	19,710,777
Cost of sales		(24,069,037)	(16,308,475)
Gross profit		2,649,754	3,402,302
Administrative expenses		(637,864)	(640,363)
Operating profit	<i>2</i>	2,011,890	2,761,939
Interest receivable and similar income	<i>5</i>	93,180	36,606
Interest payable and similar charges	<i>6</i>	(19,801)	(5,202)
Profit on ordinary activities before taxation		2,085,269	2,793,343
Taxation	<i>7</i>	(583,110)	(751,663)
Profit for the year		1,502,159	2,041,680

Amounts relating to turnover and operating profit in the current and previous year derive from continuing activities

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical costs equivalents

The notes on pages 7 to 14 form part of these financial statements

Reconciliation of movements in shareholders' funds for the year ended 31 August 2007

	2007 £	2006 £
Profit for the year	1,502,159	2,041,680
Dividends	(1,500,000)	(1,500,000)
	<hr/>	<hr/>
Net change in shareholders' funds	2,159	541,680
Shareholders' funds brought forward	907,694	366,014
	<hr/>	<hr/>
Shareholders' funds carried forward	909,853	907,694
	<hr/>	<hr/>

Balance sheet at 31 August 2007

	Note	2007	2006
		£	£
Fixed assets			
Investments	9	24,835	26,299
Current assets			
Stocks	10	222,184	483,058
Debtors	11	3,857,358	5,080,750
Cash at bank and in hand	12	3,722,296	1,505,554
		<u>7,801,838</u>	<u>7,069,362</u>
Creditors' amounts falling due within one year	13	<u>(6,916,820)</u>	<u>(6,087,967)</u>
Net current assets		<u>885,018</u>	<u>981,395</u>
Total assets less current liabilities		<u>909,853</u>	<u>1,007,694</u>
Creditors' amounts falling due after more than one year	14	-	(100,000)
Net assets		<u>909,853</u>	<u>907,694</u>
Capital and reserves			
Called up share capital	15	102,165	102,165
Share premium account	16	13,320	13,320
Profit and loss account		<u>794,368</u>	<u>792,209</u>
Total shareholders' funds		<u>909,853</u>	<u>907,694</u>

These financial statements were approved by the board of directors on 10/04/08 and were signed on its behalf by


J Burns
 Director

The notes on pages 7 to 14 form part of these financial statements

Notes to the financial statements

1 Accounting policies

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

Basis of preparation and consolidation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below

The financial statements contain information about Lion Television Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, ALL3MEDIA Holdings Limited

Certain prior year comparatives have been re-classified to make them comparable with current year presentation

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard no 1 from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group. Group financial statements are prepared and publicly available

Turnover and production costs

Turnover and attributable profit are recognised in accordance with the company's right to receive revenue based on the contracted position. The principal revenue recognition bases for commissioned TV programmes are

- Factual/factual entertainment programmes – turnover and attributable profit are recognised in proportion to the stage of completion of the production at the relevant date unless the contractual position with the broadcaster does not entitle the company to recognise revenue until the final product is available for delivery
- Provision is made for any overspends and losses as soon as identified. Any underspends are recognised once the programme has been completed and all related costs have been identified
- Revenues on programmes distributed by third parties and other ancillary revenues are recognised once the company has been notified of sums due to it

Turnover relates wholly to the company's principal activity in the UK

Fixed asset investments

Fixed asset investments are stated at cost, less any provision for impairment. The carrying values of fixed asset investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

Deferred production expenditure

Pre-contract production expenditure is written off in the period in which it is incurred except where it is related to a clearly defined contract, the outcome of which has been assessed with reasonable certainty as to its success and commercial viability. In such cases the expenditure is deferred to the extent that its recovery can be reasonably regarded as assured and the cost is written off against revenue over the period of the contract. The costs of abortive productions are taken directly to the company's profit and loss account.

Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion.

Leases

Sale and leaseback transactions relate to master negatives for films as a result of the company entering into sale and leaseback transactions for such films. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. Part of the cash received is put on deposit, and this cash together with any accrued interest thereon should be sufficient to meet the lease capital and interest payment. Cash received on inception of the transaction over and above that required for future rental payments is recognised as profit immediately.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Deferred taxation

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 right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Translation of foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

2 Operating profit

	2007 £	2006 £
<i>This is stated after charging.</i>		
Auditors' remuneration		
Audit services	23,000	22,000
Exchange losses	60,216	140,864
	<hr/>	<hr/>

3 Directors emoluments

The directors received no remuneration from the company for services during the year (2006 £nil)

Three of the directors are remunerated by All3Media Limited in the group, and details are available in the financial statements of that company

Four of the directors are remunerated by a fellow subsidiary of ALL3MEDIA Holdings Limited, Ravenscourt Services Limited, and details are available in the financial statements of that company

4 Employee information

The average monthly number of persons employed by the company during the year, analysed by category, was as follows

By activity	Number of employees	
	2007	2006
Production	47	40

The aggregate payroll costs of these persons were as follows

	2007 £	2006 £
Wages and salaries	1,238,706	908,617
Social security costs	129,827	92,119
	<u>1,368,533</u>	<u>1,000,736</u>

5 Interest receivable and similar income

	2007 £	2006 £
Bank interest receivable	72,361	22,077
Interest receivable from parent company	20,819	14,529
	<u>93,180</u>	<u>36,606</u>

6 Interest payable and similar charges

	2007 £	2006 £
Bank interest payable	19,801	5,202

7 Taxation

a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007 £	2006 £
UK corporation tax	553,110	811,663
Total current tax charge for the year	553,110	811,663
Deferred tax	30,000	(60,000)
Tax on profit on ordinary activities	583,110	751,663

b) Factors affecting the tax charge for the current year

The tax charge for the year is the lower (2006 lower) than the standard rate of corporation tax in the UK at 30% (2006 30%) The differences are reconciled below

	2007 £	2006 £
Profit on ordinary activities before tax	2,085,269	2,793,343
Profit on ordinary activities multiplied by the standard rate in the UK at 30 % (2006 30%)	625,581	838,003
<i>Effects of</i>		
Income not chargeable for tax purposes	-	(26,340)
Expenses not deductible for tax purposes	(54,140)	-
Adjustments in respect of prior years	(18,331)	-
Total current tax charge for the year	553,110	811,663

(c) Deferred taxation (note 11)

The deferred taxation included in the balance sheet is as follows

	2007 £	2006 £
Included in debtors	-	30,000
Short term timing differences on provision for liabilities and charges	-	30,000

A number of changes to the UK corporation tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The directors confirm that the effect of the changes to be enacted would not be material to the financial statements.

8 Dividends

	2007 £	2006 £
Equity - Ordinary		
Interim paid £7 34 (2006 £7 34) per £1 share	750,000	750,000
Final paid £7 34 (2006 £7 34) per £1 share	750,000	750,000
	<hr/>	<hr/>
	1,500,000	1,500,000
	<hr/>	<hr/>

9 Fixed asset investments

	Shares in subsidiary undertakings £
At 1 September 2006	26,299
Additions	35
Exchange loss	(1,499)
	<hr/>
At 31 August 2007	24,835
	<hr/>

Details of the subsidiary undertakings are as follows. Shares held by an intermediate holding company are indicated with an asterisk (*)

Name of company	Country of incorporation	Equity holding	Nature of business
Ravenscourt Services Limited	England & Wales	100%	Service company
Lion Media Limited	England & Wales	100%	Dormant
Lion Cubs Limited	England & Wales	100%	Dormant
Lion Drama Limited	England & Wales	100%	Dormant
Lion Films Limited	England & Wales	100%	Dormant
Lion Television North Limited	England & Wales	100%	Dormant
Lion Television Inc	USA	100%	Production and development company
Lion Television NZ Limited	New Zealand	100%	Production services company
Paddenswick Pictures Inc	USA	*100%	Production services company

The directors believe that the carrying value of the investments is supported by their underlying net assets

10 Stocks

	2007 £	2006 £
Work in progress	222,184	483,058
	<hr/>	<hr/>

11 Debtors

	2007 £	2006 £
Trade debtors	1,552,272	3,008,744
Amounts owed by group undertakings	16,583	1,007,691
Amounts owed by parent company	1,209,294	442,968
Prepayments and accrued income	1,079,209	591,347
Deferred taxation (note 7)	-	30,000
	<hr/>	<hr/>
	3,857,358	5,080,750
	<hr/>	<hr/>

12 Cash at bank and in hand

Cash at bank and in hand includes a total of £2,011,927 (2006 £1,452,342) held in designated production bank accounts for television companies that have commissioned programmes on their behalf. These funds are under the effective management and control of the group but under the terms of the contracts with the television companies, all amounts are repayable in the event of the termination of a programme.

13 Creditors: amounts falling due within one year

	2007 £	2006 £
Trade creditors	238,959	402,837
Amounts owed to group undertakings	2,621,447	793,897
Amounts owed to parent company	182,550	160,461
UK corporation tax	440,952	471,958
Other taxation and social security	418,958	361,630
Other creditors	8,977	3,928
Accruals and deferred income	3,004,977	3,893,256
	<hr/>	<hr/>
	6,916,820	6,087,967
	<hr/>	<hr/>

14 Creditors: amounts falling due after more than one year

	2007 £	2006 £
Other creditors	-	100,000
	<hr/>	<hr/>

15 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
102,165 ordinary shares of £1 each	102,165	102,165
	<u> </u>	<u> </u>

16 Share premium account

	2007 £	2006 £
1,665 ordinary shares issued at a premium of £8 each	13,320	13,320
	<u> </u>	<u> </u>

17 Contingent liabilities

The company has entered into certain sale and leaseback transactions for television programme rights. Amounts are held in deposit accounts as a result of these transactions and comprise monies to provide for the discharge of future leasing liabilities. The contingent liability would only crystallise upon the failure of the bank holding the deposit. The amounts involved are as follows:

	2007 £	2006 £
Amounts held on deposit	1,647,254	1,799,358
Less: loans outstanding	(1,647,254)	(1,799,358)
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
The maturity of the above amounts is as follows:		
Less than one year	158,289	152,104
Two to five years	695,004	670,264
Over five years	793,961	976,990
	<u>1,647,254</u>	<u>1,799,358</u>

18 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

19 Ultimate immediate parent undertaking and controlling party

The company's immediate parent undertaking is All3MEDIA Limited. In the directors' opinion, the company's ultimate parent undertaking is ALL3MEDIA Holdings Limited. Copies of its group financial statements, which include the company, are available from Berkshire House, 168-173 High Holborn, London, WC1V 7AA.

The ultimate controlling party is Permira Holdings Limited, a company which owns Permira Europe III G P Limited, the general partner of Permira Europe III.