

**Lion Television Limited**

**Directors' report and financial statements**

for the year ended 31 August 2012

Registered number 03336416

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## **Directors' report**

The directors present their annual report and the audited financial statements of Lion Television Limited (the "Company") for the year ended 31 August 2012

### **Principal activities 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 financial year is £1,205,774 (2011 £1,775,867). The aggregate dividends on ordinary shares paid during the year amounts to £1,300,000 (2011 £1,250,000).

### **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 Holdings Limited (the "group") as a whole, is provided on page 6 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 5 of the group's annual report which does not form part of this report.

### **Financial risk management**

Through its trading activities the company is exposed to certain levels of credit, interest rate, currency and liquidity risk. Main credit risk arises from customers which is managed by performing credit checks and monitoring these. Interest risk arises as cash bank borrowings/intercompany balances which are subject to interest based on floating rates. Currency risk arises as certain debtors are denominated in foreign currency. The company does not hedge interest or currency risks. The company funds its operations from trading activities, equity and intercompany loans.

### **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 s418 of the Companies Act 2006.

### **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 (resigned 1 March 2012)  
R Bradley  
N Catliff  
J Mills

## **Directors' report (continued)**

S Meer  
V Turton  
A Jones

### **Directors' indemnities**

The company maintains liability insurance for its directors and officers. Following shareholder approval, ALL3MEDIA Holdings Limited, the company's ultimate parent undertaking, has also provided an indemnity for the company's directors and officers, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 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.

By order of the board



A Jones  
Company secretary  
14 December 2012

Berkshire House  
168-173 High Holborn  
London  
WC1V 7AA

## **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 2012 which comprise the profit and loss account, the reconciliation of movements in shareholders' funds, the balance sheet 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).

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 2 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 August 2012 and of its profit 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**

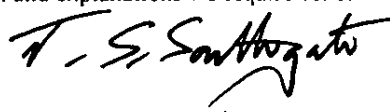
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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 company 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.

James Southgate (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
14 December 2012



## Profit and loss account for the year ended 31 August 2012

	Note	2012 £	2011 £
<b>Turnover</b>	1	19,250,079	18,288,070
Cost of sales		(17,531,757)	(16,467,442)
<b>Gross profit</b>		<u>1,718,322</u>	<u>1,820,628</u>
Administrative expenses		(103,876)	(201,023)
<b>Operating profit</b>	2	<u>1,614,446</u>	<u>1,619,605</u>
Income from shares in group undertakings		-	612,903
Interest receivable and similar income	5	5,938	2,858
Interest payable and similar charges	6	(2,763)	(20,720)
<b>Profit on ordinary activities before taxation</b>		<u>1,617,621</u>	<u>2,214,646</u>
Tax on profit on ordinary activities	7	(411,847)	(438,779)
<b>Profit for the financial year</b>	15	<u><u>1,205,774</u></u>	<u><u>1,775,867</u></u>

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 financial 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 2012

	Note	2012 £	2011 £
Profit for the financial year		1,205,774	1,775,867
Dividends	8	(1,300,000)	(1,250,000)
Net change in shareholders' funds		(94,226)	525,867
Opening shareholders' funds		1,560,434	1,034,567
Closing shareholders' funds		1,466,208	1,560,434

## Balance sheet as at 31 August 2012

Registered number 03336416

	Note	2012 £	£	2011 £	£
<b>Fixed assets</b>					
Investments	9		32,549		32,549
<b>Current assets</b>					
Debtors	10	3,005,313		6,833,036	
Cash at bank and in hand	11	2,370,953		1,528,678	
		<u>5,376,266</u>		<u>8,361,714</u>	
<b>Creditors amounts falling due within one year</b>	12	<u>(3,942,607)</u>		<u>(6,833,829)</u>	
<b>Net current assets</b>			<u>1,433,659</u>		<u>1,527,885</u>
<b>Total assets less current liabilities</b>			<u>1,466,208</u>		<u>1,560,434</u>
<b>Capital and reserves</b>					
Called up share capital	13		102,165		102,165
Share premium account	14		13,320		13,320
Profit and loss account	15		1,350,723		1,444,949
<b>Total shareholders' funds</b>			<u>1,466,208</u>		<u>1,560,434</u>

These financial statements were approved by the board of directors on 14 December 2012 and were signed on its behalf by

V Turton  
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 2006 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 400 of the Companies Act 2006 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

#### *Cash flow statement*

The company is a wholly owned subsidiary of ALL3MEDIA Holdings Limited and is included in the consolidated financial statements of ALL3MEDIA Holdings Limited which are publicly available. The ALL3MEDIA Holdings Limited consolidated financial statements for the year ended 31 August 2012 contain a consolidated statement of cash flows. Consequently, the company has taken advantage of the exemption available under Financial Reporting Standard 1 (revised 1996) "Cash flow statements" from preparing its own statement of cash flows

#### *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 United Kingdom

#### *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

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### *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.

#### *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. 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. Such transactions are shown as a contingent liability in the notes to the financial statements.

#### *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.

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 the average 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

	2012 £	2011 £
<i>This is stated after (crediting)/charging</i>		
Auditors' remuneration		
Audit services	23,000	23,000
Exchange (gain)/loss	(44,295)	55,116

## Notes to the financial statements (continued)

### 3 Directors emoluments

The directors received no remuneration from the company for services during the year (2011 £nil)

Three (2011 three) of the directors are remunerated by ALL3MEDIA Limited in the group, and details are available in the financial statements of that company

Four (2011 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

Four of the directors are remunerated by a fellow subsidiary of ALL3MEDIA Holdings Limited, Ravenscourt Services Limited with total emoluments including pension contributions of £990,708 (2011 £1,237,714) The directors spend the majority of their time, providing services to Lion Television Ltd Details are available in the financial statement of Ravenscourt Services Limited

### 4 Employee information

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

By activity	2012 Number	2011 Number
Production	50	45
	<u>50</u>	<u>45</u>

The aggregate payroll costs of these persons were as follows

	2012 £	2011 £
Wages and salaries	1,452,425	1,283,245
Social security costs	157,036	135,530
	<u>1,609,461</u>	<u>1,418,775</u>

### 5 Interest receivable and similar income

	2012 £	2011 £
Bank interest receivable	<u>5,938</u>	<u>2,858</u>

### 6 Interest payable and similar charges

	2012 £	2011 £
Bank interest payable	<u>2,763</u>	<u>20,720</u>

## Notes to the financial statements *(continued)*

### 7 Tax on profit on ordinary activities

#### (a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2012 £	2011 £
<b>Current tax</b>		
UK corporation tax	411,287	438,779
Adjustments in respect of prior years	560	-
<b>Total current tax charge for the year</b>	<u>411,847</u>	<u>438,779</u>

#### (b) Factors affecting the tax charge for the current year

The tax charge for the year is higher (2011 lower) than the standard rate of corporation tax in the UK of 25.16% (2011 27.16%). The differences are reconciled below

	2012 £	2011 £
<b>Profit on ordinary activities before tax</b>	<u>1,617,621</u>	<u>2,214,646</u>
Current tax at 25.16% (2011 27.16%)	406,993	601,498
Effects of		
Income not chargeable for tax purposes	-	(166,464)
Expenses not deductible for tax purposes	4,294	3,745
Adjustments in respect of prior years	560	-
<b>Total current tax charge for the year</b>	<u>411,847</u>	<u>438,779</u>

#### Factors affecting current and future tax charges:

During the year, as a result of the changes in the UK main corporation tax rate from 26% to 24% (which was substantively enacted on 26 March 2012 and was effective from 1 April 2012) and from 24% to 23% (which was substantively enacted on 3 July 2012 and will be effective from 1 April 2013), the relevant deferred tax balances have been re-measured during the year

A further reduction to the UK corporation tax rate has been announced. The change proposes to reduce the rate to 22% from 1 April 2014. The change had not been substantively enacted at the balance sheet date and, therefore, is not recognised in these financial statements

## Notes to the financial statements *(continued)*

### 8 Dividends

	2012 £	2011 £
<b>Ordinary</b>		
Interim paid £7.34 (2011 £6.12) per £1 share	750,000	625,000
Final paid £5.38 (2011 £6.12) per £1 share	550,000	625,000
	<u>1,300,000</u>	<u>1,250,000</u>

### 9 Fixed asset investments

	Shares in subsidiary undertakings £
Net book value as at 1 September 2011 and 31 August 2012	32,549

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
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.

## Notes to the financial statements (continued)

### 10 Debtors

	2012	2011
	£	£
Trade debtors	1,541,831	4,456,971
Amounts owed by group undertakings	491,387	531,035
Prepayments and accrued income	972,095	1,845,030
	<u>3,005,313</u>	<u>6,833,036</u>

Amounts owed by group undertakings are interest-free, unsecured and repayable on demand

### 11 Cash at bank and in hand

Cash at bank and in hand includes a total of £490,227 (2011 £495,735) 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

### 12 Creditors, amounts falling due within one year

	2012	2011
	£	£
Bank overdraft	-	1,145,871
Trade creditors	286,183	345,453
Amounts owed to group undertakings	531,755	1,460,675
Amounts owed to parent company	91,257	-
Amounts owed to group undertakings for group relief	263,764	274,941
Other creditors	12,647	10,558
Other taxation and social security	262,284	599,936
Accruals and deferred income	2,494,717	2,996,395
	<u>3,942,607</u>	<u>6,833,829</u>

Amounts owed to group undertakings and the parent undertakings are interest-free, unsecured and repayable on demand

## Notes to the financial statements (continued)

### 13 Called up share capital

	2012 £	2011 £
<b>Allotted, called up and fully paid</b>		
102,165 (2011 102,165) A ordinary shares of £1 each	102,165	102,165
	<u>102,165</u>	<u>102,165</u>

The company has in issue 2,000 'B' ordinary shares of £0.20 each, with an aggregate nominal value of £400, 6,840 'C1' ordinary shares of £0.20 each, with an aggregate nominal value of £1,296 and 360 'C2' ordinary shares of £0.20 each, with an aggregate nominal value of £72, held in treasury

Only 'A' ordinary shares are entitled to dividends and have general voting rights. 'B', 'C' and 'D' ordinary shares may only vote in respect of special resolutions. In the event of a winding up, the 'A' shares have a priority entitlement in respect of their issue price and any dividends owed. The 'B', 'C' and 'D' ordinary shares are then entitled to the return of their issue price on a pro-rata basis. Any remaining proceeds are then payable to the 'A' ordinary shareholders.

### 14 Share premium account

	2012 £
At 1 September 2011 and 31 August 2012	13,320

### 15 Profit and loss account

	2012 £
At 1 September 2011	1,444,949
Profit for the financial year	1,205,774
Dividends declared and paid (note 8)	(1,300,000)
	<u>1,350,723</u>
At 31 August 2012	

## Notes to the financial statements (continued)

### 16 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:

	2012 £	2011 £
Amounts held on deposit	793,961	976,990
Less: loans outstanding	(793,961)	(976,990)
	<hr/> -	<hr/> -
The maturity of the above amounts is as follows:		
Less than one year	189,213	183,028
Two to five years	604,748	793,962
Over five years	-	-
	<hr/> 793,961	<hr/> 976,990

The company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. In addition, the company has issued an unlimited guarantee to the bank to support these bank facilities. Details of these facilities are disclosed in note 32 of the ALL3MEDIA Intermediate Limited financial statements which are publicly available.

### 17 Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with wholly owned group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company which are publicly available. There were no other related party transactions in the year.

### 18 Ultimate and 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, a company incorporated in the United Kingdom. ALL3MEDIA Holdings Limited is the parent undertaking of the smallest and the largest group to consolidate these financial statements at 31 August 2012. Copies of its consolidated financial statements, which include the company, are available from Berkshire House, 168-173 High Holborn, London, WC1V 7AA.

The ultimate controlling party at the balance sheet date was Permira Holdings Limited, a company which owns Permira Europe III G.P. Limited, the general partner of Permira Europe III. Permira Holdings Limited is incorporated in Guernsey.