

Lion Television Limited

Directors' report and financial statements

for the year ended 31 August 2010

Registered number 3336416

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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 2010

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 £1,188,713 (2009: £1,545,073). The aggregate dividends on ordinary shares paid during the year amounts to £1,250,000 (2009: £1,500,000).

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.

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
J Pfeil
R Bradley
N Catliff
J Mills
S Meer
V Turton (appointed 24 September 2010)

Directors' report (continued)

Directors' indemnities

The company maintains liability insurance for its directors and officers. Following shareholder approval the company has also provided an indemnity for its directors and the secretary, 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 elected to prepare 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 the group 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 Pfeil
Company secretary
21 December 2010

Independent auditors' report to the members of Lion Television Limited

We have audited the financial statements (the "financial statements") of Lion Television Limited (the "Company") for the year ended 31 August 2010 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 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.

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 2010 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 by the company, 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.



Philip Stokes (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 December 2010

Profit and loss account for the year ended 31 August 2010

	<i>Note</i>	2010 £	2009 £
Turnover	<i>1</i>	16,021,775	11,444,324
Cost of sales		(13,986,758)	(10,036,098)
Gross profit		2,035,017	1,408,226
Administrative expenses		(367,556)	(567,471)
Operating profit	<i>2</i>	1,667,461	840,755
Income from shares in group undertakings		-	914,399
Interest receivable and similar income	<i>5</i>	3,006	45,188
Interest payable and similar charges	<i>6</i>	(11,575)	(7)
Profit on ordinary activities before taxation		1,658,892	1,800,335
Tax on profit on ordinary activities	<i>7</i>	(470,179)	(255,262)
Profit for the financial year	<i>15</i>	1,188,713	1,545,073

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 2010

	<i>Note</i>	2010 £	2009 £
Profit for the financial year		1,188,713	1,545,073
Issue of Share Capital		-	4,000
Dividends	8	(1,250,000)	(1,500,000)
		<hr/>	<hr/>
Net change in shareholders' funds		(61,287)	49,073
Opening shareholders' funds		1,099,854	1,050,781
		<hr/>	<hr/>
Closing shareholders' funds		1,038,567	1,099,854
		<hr/>	<hr/>

Balance sheet at 31 August 2010

Registered number 3336416

	Note	2010	2009
		£	£
Fixed assets			
Investments	9	32,549	30,666
Current assets			
Debtors	10	2,348,330	2,565,559
Cash at bank and in hand	11	2,117,876	2,218,831
		<u>4,466,206</u>	<u>4,784,390</u>
Creditors amounts falling due within one year	12	<u>(3,460,188)</u>	<u>(3,715,201)</u>
Net current assets		<u>1,006,018</u>	<u>1,069,189</u>
Total assets less current liabilities		<u>1,038,567</u>	<u>1,099,855</u>
Capital and reserves			
Called up share capital	13	104,005	104,005
Share premium account	14	15,480	15,480
Profit and loss account	15	919,082	980,369
Total shareholders' funds		<u>1,038,567</u>	<u>1,099,854</u>

These financial statements were approved by the board of directors on 21 December 2010 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 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 has taken advantage of the exemption in Financial Reporting Standard Number 1 "Cash flow statements (revised 1996)" 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

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. 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.

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 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

	2010 £	2009 £
<i>This is stated after charging:</i>		
Auditors' remuneration		
Audit services	23,000	23,550
Exchange loss	8,607	31,717
	<hr/>	<hr/>

Notes to the financial statements *(continued)*

3 Directors emoluments

The directors received no remuneration from the company for services during the year (2009 £nil)

During the prior year shares in the company were issued to four directors under a long term incentive scheme

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	2010 Number	2009 Number
Production	40	34
	<u>40</u>	<u>34</u>

The aggregate payroll costs of these persons were as follows

	2010 £	2009 £
Wages and salaries	1,117,428	981,010
Social security costs	115,396	102,981
	<u>1,232,824</u>	<u>1,083,991</u>

5 Interest receivable and similar income

	2010 £	2009 £
Bank interest receivable	3,006	45,188
	<u>3,006</u>	<u>45,188</u>

6 Interest payable and similar charges

	2010 £	2009 £
Bank interest payable	11,575	7
	<u>11,575</u>	<u>7</u>

Notes to the financial statements *(continued)*

7 Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2010 £	2009 £
Current tax		
UK corporation tax	469,003	256,030
Adjustments in respect of prior years	1,176	(768)
Total current tax charge for the year	<u>470,179</u>	<u>255,262</u>

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

The tax charge for the year is higher (2009 lower) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are reconciled below

	2010 £	2009 £
Profit on ordinary activities before tax	<u>1,658,892</u>	<u>1,800,335</u>
Current tax at 28% (2009 28%)	464,490	504,094
Effects of		
Income not chargeable for tax purposes	-	(256,032)
Expenses not deductible for tax purposes	4,513	7,968
Adjustments in respect of prior years	1,176	(768)
Total current tax charge for the year	<u>470,179</u>	<u>255,262</u>

Factors that may affect future tax charges:

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011.

Notes to the financial statements (continued)

8 Dividends

	2010 £	2009 £
Ordinary		
Interim paid £6 12 (2009 £7 34) per £1 share	625,000	750,000
Final paid £6 12 (2009 £7 34) per £1 share	625,000	750,000
	<hr/> 1,250,000	<hr/> 1,500,000
	<hr/>	<hr/>

9 Fixed asset investments

	Shares in subsidiary undertakings £
At 1 September 2009	30,666
Exchange gain	1,883
	<hr/>
At 31 August 2010	32,549
	<hr/>

During the prior year Lion Television NZ Limited was liquidated

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

	2010	2009
	£	£
Trade debtors	380,805	906,129
Amounts owed by group undertakings	610,973	535,556
Other debtors	-	71,656
Prepayments and accrued income	1,356,552	844,726
Amounts owed by group undertakings for group relief	-	207,492
	<hr/> 2,348,330	<hr/> 2,565,559
	<hr/> <hr/>	<hr/> <hr/>

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 £1,710,694 (2009 £1,781,671) 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

	2010	2009
	£	£
Trade creditors	274,848	255,275
Amounts owed to group undertakings	221,205	167,883
Amounts owed to parent company	3,969	778
Other creditors	10,133	13,930
Amounts owed to group undertakings for group relief	113,447	-
Other taxation and social security	146,364	27,726
Accruals and deferred income	2,690,222	3,249,609
	<hr/> 3,460,188	<hr/> 3,715,201
	<hr/> <hr/>	<hr/> <hr/>

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

Notes to the financial statements (continued)

13 Called up share capital

	2010 £	2009 £
Allotted, called up and fully paid		
102,165 A ordinary shares of £1 each	102,165	102,165
2,000 B ordinary shares of 20p each	400	400
6,840 C1 ordinary shares of 20p each	1,368	1,368
360 C2 ordinary shares of 20p each	72	72
	<hr/> 104,005	<hr/> 104,005

During the prior year 9,200 ordinary shares were issued for cash. The nominal value of these shares was £1,840 and the consideration received was £4,000.

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

	2010 £
At 1 September 2009 and 31 August 2010	15,480

15 Profit and loss account

	2010 £	2009 £
At 1 September 2009	980,369	935,296
Profit for the financial year	1,188,713	1,545,073
Dividends declared and paid	(1,250,000)	(1,500,000)
	<hr/> 919,082	<hr/> 980,369
At 31 August 2010		

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:

	2010	2009
	£	£
Amounts held on deposit	1,153,833	1,324,491
Less: loans outstanding	(1,153,833)	(1,324,491)
	<u>-</u>	<u>-</u>
The maturity of the above amounts is as follows:		
Less than one year	176,843	170,659
Two to five years	769,222	744,482
Over five years	207,768	409,350
	<u>1,153,833</u>	<u>1,324,491</u>

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 "Related party transactions" from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

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. ALL3MEDIA Holdings Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements at 31 August 2010. 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 is Permira Holdings Limited, a company which owns Permira Europe III G P Limited, the general partner of Permira Europe III.