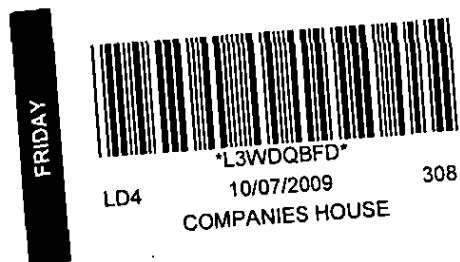


**Company Registration No. 04789044**

## **Hat Trick Holdings Limited**

**Report and Financial Statements**

**For the year ended 30 June 2008**



# **Hat Trick Holdings Limited**

## **Report and financial statements 2008**

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# **Hat Trick Holdings Limited**

## **Report and financial statements 2008**

### **Officers and professional advisers**

#### **Directors**

N Forster  
D Manners  
P McKenna  
J Mulville  
M Redhead  
P Cohen  
R Green

#### **Company Secretary**

P Cohen

#### **Registered Office**

10 Norwich Street  
London  
EC4A 1BD

#### **Business Address**

33 Oval Road  
London  
NW1 7EA

#### **Bankers**

Barclays Bank PLC  
27 Soho Square  
London  
W1D 3QR

#### **Solicitors**

Macfarlanes  
10 Norwich Street  
London  
EC4A 1BD

#### **Auditors**

Deloitte LLP  
Chartered Accountants  
London

# Hat Trick Holdings Limited

## Directors' report

The directors present their annual report and the audited financial statements for all group companies and investments in respect of the year ended 30 June 2008.

### Principal activities

With a library of long-running, award-winning television programming, we are an industry-leading content creator and rights owner. Our goal remains simple; to make highly successful programmes for profit. We do this in two ways. We develop, create and exploit multi-media content in the areas of Comedy, Drama and Entertainment. We also use our substantial creative and business support experience to take investments in early-stage content creation companies with a view to helping them reach their full potential quicker than they otherwise might be able to.

### Business review

#### *Content creation*

In the year we launched the BAFTA award-winning series *Outnumbered* on BBC1, which was created and written by Andy Hamilton and Guy Jenkin who most recently won the Broadcasting Press Guild Writers award for this programme. Additionally an *Outnumbered* special sketch featured in the 2009 *Children in Need* programming.

For the BBC we were commissioned for two new series; *Mutual Friends*, a six part drama starring Alexander Armstrong and Mark Warren and *Krod Mandoon*, a six part medieval comedy starring Matt Lucas and Sean McGuire. *Krod Mandoon* is one of Hat Trick's most ambitious projects to date which was shot on location in Hungary and co-funded by the BBC, Comedy Central and the US studio MRC.

The award winning *Fonejacker* returned to E4 for a second series, with Kayvan Novak delivering a unique performance as the *Fonejacker*.

#### *Rights exploitation*

We continue to manage exploitation of our comedy and entertainment programming in-house through Hat Trick International. This ensures that we are able to maintain a mutually beneficial, close relationship with international producers of our formats and acquisition heads of our original programmes. This arrangement also leads to us retaining distribution commission on these sales which improves our profit margins.

#### *Investments*

In 2007/2008 we continued to invest in the business to establish a strong platform for future growth. This included investment in and strategic partnership with two production companies; Plum Pictures Ltd and Toff Media Ltd. Both of these investments strengthen Hat Trick's portfolio of operations. Plum adds the dimension of quality documentary making and a raft of talent-led projects, whilst Toff Media cements the established relationship with the creators of the *Armstrong & Miller Sketch Show* which after a successful launch has been commissioned for a further 2 series.

As a result of these investments, Hat Trick holds a 50% stake in Toff Media Ltd and a 25% stake in Plum Pictures Ltd.

We also successfully sold 12 Yard Productions to ITV Productions in December 2007. Following a strategic review of the options available to the joint venture partners of 12 Yard, a sales process was undertaken that allowed both corporate partners to realise their investments.

The realisation of our first investment supports our strategy of taking smart investments in early-growth companies with a view to realising a return on our investment at an appropriate point in time. The profit and loss account reflects the gain made on the sale of 12 Yard Productions.

# Hat Trick Holdings Limited

## Directors' report (continued)

### Principal opportunities, risks and uncertainties

#### *Creativity and talent*

The enduring success of the company is based upon a marriage of creativity and strong personal relationships. For a culture of creativity to flourish, risks must be allowed to be taken and we must strive to remain an ideas-led company. Strong personal relationships, internally across our teams, and externally with our talent, customers, viewers and suppliers provide the means by which ideas can develop into long-running successful series.

Creating and sustaining such an environment requires constant nurturing. Equally, attracting and retaining talent in our business, both behind and in front of the camera, across all parts of the business, is critical for a people-led business.

We believe that people enjoy working at Hat Trick as evidenced by the very low level of turnover of people and by the desire of freelancers to come back to work with us again. This can be a key point of differentiation between the company and others in the industry.

#### *Competition*

The challenge of attracting and retaining the best talent is compounded by the highly competitive nature of the industry. There has been a proliferation in the number of companies excelling at making innovative programming across all programme genres. This means we need to work even harder to secure commissions for new programme ideas and places a greater premium on securing a returning series slot in the broadcast schedules. The best defence is to create the most compelling programme ideas that connect with viewers thereby ensuring that you are optimally placed to secure a re-commission.

#### *Margin pressure*

With advertising income receivable by broadcasters and the BBC seeking to make cost savings to support their licence fee settlement, increased emphasis is placed on making cost effective programming. Through strong broadcaster relationships and maintaining a reputation for delivering successful programming, we seek to minimise pressure on programme budgets, notwithstanding the general pressure on production margins in the industry.

To ensure adequate funding for our programmes we have sought to broaden our distributor relationships in the year as a means of helping to protect against higher programme deficits.

Offsetting pressure on programme margins are increased back end profit shares from rights exploitation if the programme has international appeal and the expectation that programme commissions by the BBC in particular from the independent production sector are expected to increase over time.

Increasing ways of watching content, whether on-line, via downloads or on various portable devices are also expected to offer new income streams to content creators which may more than offset margin pressure from traditional broadcasters over time.

# Hat Trick Holdings Limited

## Directors' report (continued)

### Financial review

#### *Profit and loss*

Operating profit which is our key performance indicator fell by £3.7m year on year resulting in an operating loss of £3.1m, after a £1.1m amortisation charge for goodwill and a £2.5m impairment loss.

The decrease in operating profit is due to some long running series beginning to reach the end of their natural life. However as discussed above, these are being replaced by new pilots and series, and whilst typically these have lower production margins to begin with, overtime it is expected that these will increase as they return with repeat commissioning. The additional rights exploitation revenue that tends to be generated with returning series will also contribute significantly.

#### *Major commitments*

The former office leases expired in October 2008 and new office space was successfully acquired in Camden. Hat Trick took possession of the new site in April 2008 and following an extensive fit out, the business relocated in September 2008. There was a major capital investment to fit out the new premises, and this is reflected in the balance sheet where there are assets under construction of £0.8m at the year end date. Furthermore, Hat Trick entered into a long term lease (20 years) for the premises (note 19).

### Financial risk management

Meeting the group's financing commitments as they fall due is considered the key financial risk facing the business. The working capital of the business is closely monitored to ensure these commitments are met.

The business has used a mixture of bank loans and loan notes from a shareholder, August Equity, to fund the business in addition to use of interim production financing where appropriate. The bank loans have now been repaid (refer to note 14) using the proceeds from the sale of 12 Yard Productions. August Equity, the holder of the loan notes, believe that the sale of 12 Yard Productions requires a reclassification of the £5.8m of loan notes owed to them to being payable on demand. August has not currently demanded the repayment of the loan notes and the Group is in negotiations as to a new payment schedule. In the event that the loan notes did need to be repaid, the Directors are confident that the necessary financing could be raised. The impact of this has been discussed in further detail in note 1.

### Dividends

The directors do not recommend payment of an ordinary dividend (2007: £nil).

### Directors and their interests

The following served as directors throughout the year, except as noted below:

I D Grant (Resigned 25 March 2008)  
N Forster  
P McKenna  
J T Mulville  
M Redhead

The following changes in directorship have taken place since 30 June 2008:

P Cohen (Appointed 02 March 2009)  
R Green (Appointed 12 September 2008)  
A Hartley (Resigned 12 September 2008)  
D Manners (Appointed 21 October 2008)

# Hat Trick Holdings Limited

## Directors' report (continued)

The directors' interests in the shares of the company are as stated below:

	Ordinary shares of £1	
	2008	2007
J T Mulville	41,437	41,437
P McKenna	11,951	11,951
D O'Donoghue	5,584	5,584
H Strong	2,456	2,456

Andrew Hartley and Richard Green hold founder partner capital in August Equity Partners IV LP. August Equity Partners IV LP owns 50,260 ordinary shares of £1 in Hat Trick Holdings Limited (2007: 50,260).

Options to acquire £1 ordinary shares of the company were held by the following directors:

	At 1 July 2007	Granted in the year	At 30 June 2008	Exercise price (£)	Vesting date	Expiry date
Neil Forster	2,315	-	2,315	1	30/11/2006	29/11/2016
	289	-	289	1	04/05/2007	03/05/2017
	290	-	290	1	31/07/2007	30/07/2017
Mark Redhead	1,157	-	1,157	1	30/11/2006	29/11/2016
	4,051	-	4,051			

All options were granted on 30 November 2006. No share options were exercised in the year by the directors (see note 23).

### Charitable contributions

During the year the group made the following payments:

	2008	2007
	£	£
Charitable donations	2,950	9,907

# Hat Trick Holdings Limited

## Directors' report (continued)

### Auditors

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself 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.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



J Mulville  
Director

2009



D Manners  
Director

2009



# **Hat Trick Holdings Limited**

## **Statement of directors' responsibilities**

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 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' report to the members of Hat Trick Holdings Limited**

We have audited the group and parent financial statements of Hat Trick Holdings Limited for the year ended 30 June 2008 which comprise the consolidated profit and loss account, the statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 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).

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.

## Independent auditors' report to the members of Hat Trick Holdings Limited (continued)

### 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 group and company's affairs as at 30 June 2008 and of the groups' 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.

### Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The directors are in negotiations with the holders of the loan notes to agree a new payment schedule. Until this has been resolved either through agreement of a new payment schedule or securing other funding to repay amounts deemed due and payable, there exists a material uncertainty which may cast significant doubt about the company's and group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

*Deloitte LLP*

Deloitte LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom

*10<sup>th</sup> Rely*

2009

# Hat Trick Holdings Limited

## Consolidated profit and loss account Year ended 30 June 2008

	Note	2008 £	2007 £
Turnover	2	21,231,615	24,262,241
Cost of sales		(15,532,750)	(18,305,285)
<b>Gross profit</b>		<b>5,698,865</b>	<b>5,956,956</b>
Administrative expenses		(9,161,966)	(5,994,096)
Other operating income		378,670	655,630
<b>Operating (loss)/profit</b>	3	<b>(3,084,431)</b>	<b>618,490</b>
Share of joint ventures' operating profit	9	744,420	1,831,953
Profit on sale of joint venture partnership	9	12,287,506	-
Share of associates' operating loss		(46,209)	-
<b>Profit on ordinary activities before interest</b>		<b>9,901,286</b>	<b>2,450,443</b>
Interest receivable and similar income		159,743	254,700
Interest payable and similar charges	4	(1,048,996)	(1,512,272)
Share of joint ventures' net interest payable	9	(7,628)	(94,215)
Share of associates' net interest receivable		978	-
<b>Profit on ordinary activities before taxation</b>		<b>9,005,383</b>	<b>1,098,656</b>
Group tax		11,770	(208,726)
Joint venture tax	9	(235,019)	(549,898)
Tax on profit on ordinary activities	5	(223,249)	(758,624)
<b>Profit on ordinary activities after taxation</b>		<b>8,782,134</b>	<b>340,032</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

## **Hat Trick Holdings Limited**

### **Statement of total recognised gains and losses Year ended 30 June 2008**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
<b>Profit for the financial year</b>	8,782,134	340,032
Currency translation differences on foreign currency net investments	<u>(3,178)</u>	<u>(651)</u>
<b>Total recognised gains and losses relating to the year</b>	<u><u>8,778,956</u></u>	<u><u>339,381</u></u>

# Hat Trick Holdings Limited

## Consolidated and company balance sheets As at 30 June 2008

	Note	2008		2007	
		Group £	Company £	Group £	Company £
<b>Fixed assets</b>					
Intangible assets	7	14,466,600	-	17,781,068	-
Tangible assets	8	1,104,218	-	84,471	-
Investments	9	2	19,935,470	258,108	24,453,380
		<u>15,570,820</u>	<u>19,935,470</u>	<u>18,123,647</u>	<u>24,453,380</u>
<b>Current assets</b>					
Stocks	10	4,500	-	65,772	-
Debtors: amounts falling due within one year	11	3,096,134	12,489	4,575,665	168,386
Cash at bank and in hand	12	4,211,233	14,423	6,842,399	1,014,524
		<u>7,311,867</u>	<u>26,912</u>	<u>11,483,836</u>	<u>1,182,910</u>
<b>Creditors: amounts falling due within one year</b>	13	(12,092,679)	(29,407,221)	(10,753,793)	(12,666,366)
<b>Net current (liabilities)/assets</b>		<u>(4,780,812)</u>	<u>(29,380,309)</u>	<u>730,043</u>	<u>(11,483,456)</u>
<b>Total assets less current liabilities</b>		<u>10,790,008</u>	<u>(9,444,839)</u>	<u>18,853,690</u>	<u>12,969,924</u>
<b>Creditors: amounts falling due after more than one year</b>	14	-	-	(16,850,000)	(16,850,000)
<b>Net assets/(liabilities)</b>		<u>10,790,008</u>	<u>(9,444,839)</u>	<u>2,003,690</u>	<u>(3,880,076)</u>
<b>Capital and reserves</b>					
Called up share capital	16	111,688	111,688	111,688	111,688
Share premium account	17	2,110,534	2,110,534	2,110,534	2,110,534
Share option reserve	17	11,656	-	4,294	-
Profit and loss account	17	8,556,130	(11,667,061)	(222,826)	(6,102,298)
<b>Shareholders' funds/(deficit)</b>	18	<u>10,790,008</u>	<u>(9,444,839)</u>	<u>2,003,690</u>	<u>(3,880,076)</u>

These financial statements were approved by the Board of Directors on  
Signed on behalf of the Board of Directors.

2009.



J Mulville  
Director

2009



D Manners  
Director

2009

# Hat Trick Holdings Limited

## Consolidated cash flow statement Year ended 30 June 2008

	Note	2008 £	2007 £
<b>Net cash inflow from operating activities</b>	27	<u>1,467,590</u>	<u>3,285,732</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		174,382	114,450
Interest paid		(3,235,589)	(680,201)
Joint venture interest received on loan repayments		<u>32,194</u>	<u>421,981</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(3,029,013)</u>	<u>(143,770)</u>
<b>Taxation</b>		<u>186,607</u>	<u>(364,985)</u>
<b>Capital expenditure and financial investment</b>			
Repayment of loans from joint venture		1,225,000	750,000
Purchase of tangible fixed assets		<u>(1,070,119)</u>	<u>(33,629)</u>
<b>Net cash inflow from capital expenditure and financial investment</b>		<u>154,881</u>	<u>716,371</u>
<b>Acquisitions and disposals</b>			
Acquisition of share in associate		(357,500)	-
Receipt from sale of joint venture		<u>12,558,304</u>	<u>-</u>
<b>Net cash inflow from investing activities</b>		<u>12,200,804</u>	<u>-</u>
<b>Net cash flow before financing</b>		10,980,870	3,493,348
<b>Financing</b>			
Repayment of borrowings:			
Bank Loans and Overdrafts		(9,450,000)	(400,000)
Secured Series A and B loan stock		(1,975,000)	
Secured Subordinated Loan Stock		<u>(2,187,036)</u>	<u></u>
<b>Net cash outflow from financing</b>		<u>(13,612,036)</u>	<u>(400,000)</u>
<b>(Decrease)/increase in cash in the year</b>	28	<u><u>(2,631,166)</u></u>	<u><u>3,093,348</u></u>

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

##### Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

##### Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 June 2008. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

##### Going concern

The group's business activities, the factors likely to affect its future development, performance and position, and discussion of the financial position of the group are set out in the director's report on pages 2 to 6.

The group meets its day to day working capital requirements from the group's cash reserves, operational cash flows and financing arranged as required for individual productions. The current economic conditions create uncertainty particularly over (a) the level of demand for the group's products; (b) the margin pressures discussed on page 3 and (c) the availability of finance in the foreseeable future.

The Group has net current liabilities as at 30 June 2008 of £4.8m, primarily as a result of £5.8m of other loans and £0.2m accrued interest owed to August Equity, being classified as payable on demand. August Equity has not currently demanded the repayment of the loan notes and the Group is in negotiations as to a new payment schedule. In the event that the loan notes did need to be repaid, the Directors are confident that the necessary financing could be raised. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group would be able to operate within the level of its existing facilities if the loan was not deemed to be payable within one year.

The Company has net current liabilities of £29.4m and net liabilities of £9.4m as at 30 June 2008. In addition to the amounts due to August Equity, discussed above, the Company's liabilities consist of £23.4m payable to its subsidiaries. The Company operates as a holding company, and is able to fund its activities from the results of its subsidiaries.

The combination of these circumstances represents a material uncertainty that casts doubt upon the group's and the company's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless as discussed in the Business review on page 4, and considering the uncertainties described above, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

##### Associated undertakings

The group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the group's share of their net assets is included in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the undertakings concerned. Joint ventures are accounted for using the gross equity method.



# Hat Trick Holdings Limited

## Notes to the accounts

Year ended 30 June 2008

### 1 Accounting policies (continued)

#### Stock and work in progress

Work in progress, carried forward under stock, represents costs incurred on programmes in development, and is stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

#### Turnover

Turnover represents amounts receivable in respect of ordinary activities during the year, and is recognised as the company settles its contractual obligations, excluding Value Added Tax.

#### Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of twenty years.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Improvements to leasehold premises	– Over the period of the lease
Office equipment	– 25% on cost
Furniture, fixtures and fittings	– 25% on cost

#### Leasing

Rentals payable under operating leases are charged against profits as incurred.

#### Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year under a defined contribution scheme.

#### Taxation

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

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which

#### Share options

The group has applied the requirements of FRS 20 Share-based Payments. The group issues equity-settled share-based payments to certain employees. These share options are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value of the share options issued is expensed on a straight-line basis over the period to when management estimate the options will be exercised as adjusted for known vesting conditions.

Fair value is measured by use of the Hull-White pricing model which is an enhanced version of the Black-Scholes pricing model. The principal assumptions made in the model are described in note 23.

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 1 Accounting policies (continued)

##### Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

##### Royalties receivable

Royalties receivable are accounted for on a royalty earnings basis as part of turnover. Non-returnable, recoupable advances are accounted for at the point that all obligations have been fulfilled.

##### Production sale and leaseback contracts

Balances on escrow bank accounts and corresponding lease obligations are not brought into the financial statements, as explained in note 24.

#### 2 Turnover

The total turnover of the group for the year has been derived from its ordinary activities.

##### Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out as below:

	2008 £	2007 £
<b>Geographical segment</b>		
United Kingdom	20,414,147	23,050,586
Rest of Europe	372,353	582,982
North America	177,480	360,983
Rest of the World	267,635	267,690
	<u>21,231,615</u>	<u>24,262,241</u>

#### 3 Operating profit

Operating profit is stated after charging:

	2008 £	2007 £
Amortisation of intangible assets	1,124,723	1,111,317
Depreciation of tangible assets	81,092	79,628
Impairment Losses	2,547,245	-
Loss on foreign exchange transactions	2,161	25,635
Operating lease rentals	514,570	387,136
Fees payable to the company's auditors for the audit of the company's annual accounts (company £3,175; 2007: £6,675)	68,883	56,825
Fees payable to the Company's auditors and their associates for other services to the Group:		
Tax services (company £nil, 2007: £6,000)	33,560	11,210
Recruitment and remuneration services (company £nil, 2007:	-	7,750

# Hat Trick Holdings Limited

## Notes to the accounts

Year ended 30 June 2008

### 4 Interest payable

	2008 £	2007 £
On bank loans and overdrafts	369,152	655,748
Other interest	679,844	856,524
	<u>1,048,996</u>	<u>1,512,272</u>
Share of net interest payable in joint ventures	7,628	94,215
	<u>1,056,624</u>	<u>1,606,487</u>

### 5 Taxation

	2008 £	2007 £
<b>Domestic current year tax</b>		
UK corporation tax	249,471	695,384
Adjustment in respect of prior years	1,350	24,389
Double taxation relief	(14,452)	(30,288)
	<u>236,369</u>	<u>689,485</u>
Foreign corporation tax	14,452	75,400
<b>Current tax charge</b>	<u>250,821</u>	<u>764,885</u>
<b>Deferred tax</b>		
Deferred tax (credit)/charge	(28,532)	13,724
Adjustment in respect of prior years	960	(19,985)
	<u>223,249</u>	<u>758,624</u>
<b>Tax on profit on ordinary activities</b>		

	2008 £	2007 £
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	9,005,383	1,098,656
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of (2008: 29.5% - 2007: 30%)	<u>2,656,588</u>	<u>329,597</u>
Effects of:		
Non deductible expenses	477,585	362,285
Capital allowances in excess of depreciation	22,434	7,150
Impairment Losses	751,437	-
Income that is not taxable	(3,701,006)	-
Overseas losses not utilised	4,506	6,511
Overseas tax rates	-	15,044
Adjustments to previous periods	1,350	24,389
Movement in short term timing differences	(64,520)	19,909
Unrecognised tax losses carried forward	102,447	-
	<u>(2,405,767)</u>	<u>435,288</u>
<b>Current tax charge</b>	<u>250,821</u>	<u>764,885</u>

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 6 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The loss for the financial year is as follows:

	2008 £	2007 £
Parent company's loss for the financial year	(1,046,853)	(1,483,657)

#### 7 Intangible fixed assets

##### Group

	Goodwill £
<b>Cost</b>	
At 1 July 2008	22,226,336
Additions	357,500
At 30 June 2008	22,583,836
<b>Amortisation</b>	
At 1 July 2007	4,445,268
Charge for the year	1,124,723
Impairment Losses	2,547,245
At 30 June 2008	8,117,236
<b>Net book value</b>	
At 30 June 2008	14,466,600
At 30 June 2007	17,781,068

An annual impairment review was conducted which resulted in a write down of £2,547,245

On 14 September 2007, the company acquired a 25% share of Plum Pictures Limited. Goodwill arising on the transaction was as follows:

	2008 £
Fair value of consideration	350,000
Plus direct costs associated with acquisition	7,500
25% share of book value and fair value of net assets acquired	-
Goodwill arising on acquisition	357,500

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 8 Tangible fixed assets

##### Group

	Improve- ments to leasehold premises £	Office equipment £	Furniture, fixtures and fittings £	Assets under construction £	Total £
<b>Cost</b>					
At 1 July 2007	340,556	410,123	170,925	-	921,604
Additions	148,624	132,757	16,365	809,959	1,107,705
Disposals	-	(37,586)	-	-	(37,586)
At 30 June 2008	489,180	505,294	187,290	809,959	1,991,723
<b>Depreciation</b>					
At 1 July 2007	315,017	356,495	165,621	-	837,133
Charge for the year	32,202	43,243	5,647	-	81,092
Disposals	-	(30,720)	-	-	(30,720)
At 30 June 2008	347,219	369,018	171,268	-	887,505
<b>Net book value</b>					
At 30 June 2008	141,961	136,276	16,022	809,959	1,104,218
At 30 June 2007	25,539	53,628	5,304	-	84,471

#### 9 Fixed asset investments

##### Group

	Investments £
<b>Cost</b>	
At 1 July 2007	258,108
Additions	2
Disposal of interest in joint venture partnership	(258,108)
At 30 June 2008	2

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 9 Fixed asset investments (continued)

##### Group

On 4 December 2007, the company disposed of its 50% interest in a joint venture partnership 12 Yard Productions and its 50% interest in the following joint venture companies; 12 Yard Productions Limited, 12 Yard (North) Productions Limited and 12 Yard Holdings Inc.

The Group's share of the profit of these entities up to the date of disposal and for the last financial year are:

	2008 £	2007 £
Operating profit in joint ventures	744,420	1,831,953
Net interest payable in joint ventures	(7,628)	(94,215)
Joint venture tax	(235,019)	(549,898)
	<u>501,773</u>	<u>1,187,840</u>

The share of net assets disposed of and related sale proceeds were as follows:

	Share of net assets disposed of £
Fixed assets	10,411
Current assets	1,579,682
Creditors	(1,331,985)
<b>Net assets</b>	<u>258,108</u>
	Sale proceeds £
Total consideration	13,111,537
Less transaction fees	(553,233)
Net consideration	<u>12,558,304</u>
Add net assets as at 30 June 2007	246,925
Less net assets increase up to date of disposal	(508,223)
Less associated costs	(9,500)
Gain on disposal	<u>12,287,506</u>

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 9 Fixed asset investments (continued)

Company	Shares in group undertakings £
<b>Cost</b>	
At 1 July 2007	24,453,380
Impairment Loss	(4,517,910)
At 30 June 2008	<u>19,935,470</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Hat Trick Productions Limited	England and Wales	Ordinary	100
Hat Trick North Limited	England and Wales	Ordinary	100
Hat Trick International Limited	England and Wales	Ordinary	100
Hat Trick Entertainment Inc	USA	Ordinary	100
Hat Trick Holdings Inc	USA	Ordinary	100
Hat Trick Music Limited	England and Wales	Ordinary	100
TWC (UK) Limited	England and Wales	Ordinary	100
Hat Trick Television Limited	England and Wales	Ordinary	100
Associates and joint ventures			
Hat Trick Productions (IDOM) Limited	England and Wales	Ordinary	25
Plum Pictures Limited	England and Wales	Ordinary	25
Toff Media Limited	England and Wales	Ordinary	50

On 4 December 2007 the company disposed of its interest in Hat Trick 12 Yard Productions Limited and the 12 Yard group of companies.

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 9 Fixed asset investments (continued)

The principal activity of these companies for the last relevant financial year was as follows:

	Principal activity
Hat Trick Productions Limited	Creation of content for broadcast media
Hat Trick North Limited	Creation of content for broadcast media
Hat Trick International Limited	Distribution of content
Hat Trick Entertainment Inc	Creation of content for broadcast media
Hat Trick Holdings Inc	Creation of content for broadcast media
Hat Trick Music Limited	Dormant
TWC (UK) Limited	Writers' Agency
Hat Trick Television Limited	Creation of content for broadcast media
Hat Trick Productions (IDOM) Limited	Dormant
Plum Pictures Limited	Creation of content for broadcast media
Toff Media Limited	Creation of content for broadcast media

#### 10 Stocks

	2008		2007	
	Group £	Company £	Group £	Company £
Work in progress	4,500	-	65,772	-

#### 11 Debtors

	2008		2007	
	Group £	Company £	Group £	Company £
Trade debtors	1,488,783	-	1,582,119	-
Amounts owed by group companies	-	1,175	-	-
Amounts owed by joint ventures	48,365	-	1,255,532	-
Other debtors	690,649	-	397,675	-
Directors' current accounts	3,343	-	383	-
Prepayments and accrued income	757,924	7,500	731,410	7,500
Corporation tax recoverable	6,674	2,501	295,382	159,573
Taxes and social security recoverable	20,190	1,313	260,530	1,313
Deferred tax asset (note 26)	80,206	-	52,634	-
	3,096,134	12,489	4,575,665	168,386

#### 12 Cash at bank and in hand

Included within the balance sheet figure of £4,211,233 (2007: £6,842,399) are sums amounting to £1,747,680 (2007: £4,363,846) held in trust bank accounts and petty cash balances of £18,224 (2007: £50,560) held on behalf of broadcasters who have commissioned work and advanced funds to cover future production costs.

Within creditors note 13, production advances, certain trade creditors and accruals represent the unexpended funds held on trust at the balance sheet date.



# Hat Trick Holdings Limited

## Notes to the accounts

### 13 Creditors: amounts falling due within one year

	2008		2007	
	Group £	Company £	Group £	Company £
Bank loans and overdrafts	-	-	600,000	600,000
Trade creditors (note 12)	708,654	8,813	965,757	8,813
Amounts owed to group companies	-	23,379,824	-	7,695,459
Amounts owed to joint ventures	-	-	20,214	-
Corporation tax payable	557	-	551,378	-
Taxes and social security costs	1,179,224	-	230,028	-
Other loans (note 14)	5,812,964	5,812,964	1,975,000	1,975,000
Other creditors	359,768	-	484,359	-
Production advances (note 12)	1,685,851	-	1,276,090	-
Accruals and deferred income (note 12)	2,314,019	173,978	4,650,967	2,387,094
Participating dividend	31,642	31,642	-	-
	<u>12,092,679</u>	<u>29,407,221</u>	<u>10,753,793</u>	<u>12,666,366</u>

### 14 Creditors: amounts falling due after more than one year

	2008		2007	
	Group £	Company £	Group £	Company £
Bank loans	-	-	8,850,000	8,850,000
Other loans	-	-	8,000,000	8,000,000
	<u>-</u>	<u>-</u>	<u>16,850,000</u>	<u>16,850,000</u>

	Group and Company	
	2008 £	2007 £
<b>Analysis of loans</b>		
Not wholly repayable within five years other than by instalments:		
Wholly repayable within five years	-	19,425,000
Wholly repayable within five years	-	19,425,000
Included in current liabilities	-	(2,575,000)
	<u>-</u>	<u>16,850,000</u>
<b>Loan maturity analysis</b>		
In more than one year but not more than two years	-	600,000
In more than two years but not more than five years	-	16,250,000
In more than five years	-	-
	<u>-</u>	<u>-</u>

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 14 Creditors: amounts falling due after more than one year (continued)

The loan stock is made up as follows:

£8,000,000 Secured Subordinated Loan Stock. Interest is payable at 7.5% per annum, calculated on the principal. As at 30 June 2008 the company had redeemed £2,187,036 of this balance. The remainder is repayable on demand and is shown as other loans in creditors due in less than one year (note 13).

£277,778 Secured Series A Loan Stock. This loan stock is to be redeemed in line with the repayment to the group of specified debtor balances. No interest is payable on the stock unless the group does not redeem in this way. Interest of 1.75% above the base rate of Barclays Bank Plc, calculated on the principal, is payable to the extent that unredeemed stock at any time exceeds the specified balances.

£1,697,222 Secured Series B Loan Stock. The redemption method follows that for the Secured Series A Loan Stock. Interest is payable at 1.75% above the base rate of Barclays Bank Plc, calculated on the principal.

The specified debtor balances for the series A and B loan stock were redeemed during the year. Following these receipts the secured series A and B loan stock was then redeemed.

#### Security

Hat Trick Holdings Limited, Hat Trick Productions Limited and Hat Trick International Limited have:

- given cross-guarantees in favour of Barclays Bank Plc and the holders of all loan notes issued by Hat Trick Holdings Limited on 17 July 2003, and
- granted fixed and floating charges over all of their assets, and assignments by way of security of certain life assurance policies, to secure the above bank loans and loan stock, to the extent that they have not been re-paid.

#### 15 Pension costs

##### Defined contribution

	2008 £	2007 £
Contributions payable by the group for the year	40,624	37,344

#### 16 Share capital

	2008 £	2007 £
<b>Authorised</b>		
73,838 ordinary shares of £1 each	61,428	73,838
50,260 A ordinary shares of £1 each	50,260	50,260
	<u>111,688</u>	<u>124,098</u>
<b>Allotted, called up and fully paid</b>		
61,428 ordinary shares of £1 each	61,428	61,428
50,260 A ordinary shares of £1 each	50,260	50,260
	<u>111,688</u>	<u>111,688</u>

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 17 Statement of movements on reserves

Group	Share premium account £	Profit and loss account £	Share option reserve £
Balance at 30 June 2007	2,110,534	(222,826)	4,294
Retained profit for the year	-	8,782,134	-
Share option charge	-	-	7,362
Foreign currency translation difference	-	(3,178)	-
Balance at 30 June 2008	<u>2,110,534</u>	<u>8,556,130</u>	<u>11,656</u>

Company	Share premium account £	Profit and loss account £
Balance at 30 June 2007	2,110,534	(6,102,298)
Retained loss for the year	-	(1,046,853)
Balance at 30 June 2008	<u>2,110,534</u>	<u>(7,149,151)</u>

#### 18 Reconciliation of movements in shareholders' funds/(deficit)

Group	2008 £
Profit for the financial year	8,782,134
Other recognised gains and losses	4,184
Net increase to shareholders' funds	<u>8,786,318</u>
Opening shareholders' funds	<u>2,003,690</u>
Closing shareholders' funds	<u>10,790,008</u>
Company	2008 £
Loss for the financial year	<u>(5,564,763)</u>
Net increase in shareholders' deficit	<u>(5,564,763)</u>
Opening shareholders' deficit	<u>(3,880,076)</u>
Closing shareholders' deficit	<u>(9,444,839)</u>

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 19 Financial commitments

At 30 June 2008 the company was committed to making the following payments under non-cancellable operating leases:

	<b>Land and buildings</b>	
	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Operating leases:		
Over 5 years	564,300	-

The lease commenced on the 1 July 2008.

#### 20 Directors' emoluments

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Emoluments for qualifying services	679,608	604,505
Company pension contributions to money purchase schemes	8,835	7,136

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2.

Emoluments disclosed above include the following amounts relating to the highest paid director:

Emoluments for qualifying services	347,955	338,026
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#### 21 Transactions with directors

At the balance sheet date the following amounts were owed by directors who served during the year.

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
J T Mulville	3,343	383

In addition, £277,778 Secured Series A Loan Stock 2004 and £1,697,222 Secured Series B Loan Stock 2006 were issued to J T Mulville, D O'Donoghue and H Strong on 17 July 2003 (see note 14). The full amount of this loan stock had been redeemed.

#### 22 Employees

	<b>2008</b>	<b>2007</b>
	<b>No.</b>	<b>No.</b>
<b>Average number of persons employed</b>		
Management	10	9
Administration	26	27
Production, development and writing	19	15
	<u>55</u>	<u>51</u>

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 22 Employees (continued)

	2008 £	2007 £
<b>Employment costs</b>		
Wages and salaries	3,125,230	2,802,698
Social security costs	362,617	357,834
Other pension costs	35,782	33,597
Equity-settled share based payments	7,362	4,294
	<u>3,530,991</u>	<u>3,198,423</u>

#### 23 Share based payments

##### Equity-settled share option scheme

On 30 November 2006, the group implemented an enterprise management incentive share option scheme.

Share options granted under the scheme are only exercisable on or after the earlier of an exit event and any date(s) as specified in the option agreement. Under the scheme rules, an exit event is defined as the earlier of a share sale, a listing or a trade sale. A period of 3 years has been assumed between date of grant and exercise of the share options.

All the share options granted in the year are exercisable at nominal value being £1 per share.

Details of the share options outstanding during the year are as follows:

	Number of share options	
	2008	2007
Outstanding at the beginning of the year	4,051	-
Granted on 30 November 2006	-	4,051
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
	<u>4,051</u>	<u>4,051</u>
Outstanding at the end of the year	4,051	4,051
Exercisable at the end of the year	-	-

Of the 4,051 share options outstanding at the end of the year, 3,472 vested at the date of grant being 30 November 2006. A further 289 share options vested on 4 May 2007 and a further 290 share options vested on 31 July 2007. If the options remain unexercised after a period of 10 years from date of grant the options expire. Options are generally forfeited if the employee leaves the group before the options have been exercised.

On 31 July 2008 N Forster left the employment of Hat Trick Productions Ltd. He remains a director of Hat Trick Holdings Ltd and as a result has retained 1% of his share options.

The weighted average remaining contractual life of the share options outstanding at the end of the year was 8.5 years.

The aggregate of the estimated fair values of the share options granted on 30 November 2006 is £22,084.

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 23 Share based payments (continued)

The principal assumptions used in the Hull-White pricing model to determine the fair value of the share options granted in the year were:

	2008 Issue in the year	2007 Issue in the year
Weighted average share price at grant	-	£8
Weighted average exercise price	-	£1
Expected volatility	-	36.80%
Expected life of option	-	5-6 years
Risk-free rate	-	5.70%
Expected dividend yield	-	0.00%

As an unquoted company, the share price at the date of grant has been estimated by applying a profit multiple to the underlying historic earnings before interest, tax and amortisation figure. This enterprise value is then adjusted for any net cash/debt in the business and the resulting market value is divided by the fully diluted number of shares to obtain an implied share price at the date of grant.

The weighted average exercise price is consistent with the underlying share option agreements.

The expected volatility is an average of available share price information for the following publicly traded companies at the point at which the options were granted: RDF Media Group, Shed Media plc,

The expected life of the share option is based upon an assumed employee exit rate in the business of 10%.

The risk free rate is based upon the Bank of England 3 month treasury deposit rate.

The expected dividend yield reflects the current dividend policy of the group which is to reinvest back into the company any retained earnings.

The company recognised total expenses of £7,362 in the financial year related to these share options (2007: £4,294).

#### 24 Production sale and leaseback transactions

During previous financial years, the group entered into sale and leaseback contracts for certain productions. These arrangements gave rise to profits for the group which were recognised when the transactions were carried out. In addition, residual leasing obligations were incurred which are covered and met out of escrow accounts. Accordingly the sums are not separately shown on the balance sheet. At the balance sheet date the escrow accounts and corresponding leasing obligations amounted to £4,630,367 (2007: £4,969,463).

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 25 Related party transactions

##### Company and group

At the balance sheet date the following amounts were due to the group in respect of transactions with joint ventures and associates:

	2008 £	2007 £
Toff Media Limited	47,645	-
Plum Pictures Limited	722	-
12 Yard Productions	557	505,040

During the year 12 Yard Productions repaid the loan owing of £1,225,000.

Ian Grant and Andrew Hartley were directors of August Equity Limited and Hat Trick Holdings Limited during the period under review. During the year, Hat Trick Holdings Limited paid August Equity Limited fees for their services of £30,000 (2007: £30,000)

The company has taken advantage of the exemption available under Financial Reporting Standard No. 8: Related Party Disclosures not to disclose transactions with other group entities that are eliminated on consolidation in preparation of the parent company's consolidated financial statements.

#### 26 Deferred tax asset

	2008 £	2007 £
As at 1 July	52,634	46,373
Credit to profit and loss account	27,572	6,261
As at 30 June	80,206	52,634

##### Analysis of deferred tax asset balance

	2008 £	2007 £
Capital allowances in excess of depreciation	44,253	49,087
Short term timing differences	35,953	3,547
As at 30 June	80,206	52,634

# Hat Trick Holdings Limited

## Notes to the accounts

### Year ended 30 June 2008

#### 27 Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2008 £	2007 £
Operating (loss)/profit	(3,084,431)	618,490
Depreciation of tangible assets	50,372	79,628
Amortisation of intangible assets	1,124,723	1,111,317
Impairment Losses	2,547,245	-
Decrease/(increase) in stocks	61,272	(49,620)
Increase in debtors	(52,843)	(173,540)
Increase in creditors less than one year	813,890	1,695,163
Share option charge	7,362	4,294
<b>Net cash inflow from operating activities</b>	<b>1,467,590</b>	<b>3,285,732</b>

#### 28 Analysis of net debt

	1 July 2007 £	Cash flow £	30 June 2008 £
Net cash:			
Cash at bank and in hand	6,842,399	(2,631,166)	4,211,233
Bank overdrafts	(1,000,000)	1,000,000	-
	<u>5,842,399</u>	<u>(1,631,166)</u>	<u>4,211,233</u>
Debts falling due within one year	(2,575,000)	(3,237,964)	(5,812,964)
Debts falling due after one year	(15,850,000)	15,850,000	-
	<u>(18,425,000)</u>	<u>12,612,036</u>	<u>(5,812,964)</u>
<b>Net debt</b>	<b>(12,582,601)</b>	<b>10,980,870</b>	<b>(1,601,731)</b>

#### 29 Reconciliation of net cash flow to movement in net debt

	2008 £	2007 £
(Decrease)/increase in cash in the year	(1,631,166)	3,093,348
Cash outflow from decrease in debt financing	12,612,036	1,837,415
<b>Movement in net debt in the year</b>	<b>10,980,870</b>	<b>4,930,763</b>
Net debt at start of year	(12,582,601)	(17,513,364)
<b>Closing net debt</b>	<b>(1,601,731)</b>	<b>(12,582,601)</b>