

HAT TRICK PRODUCTIONS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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HAT TRICK PRODUCTIONS LIMITED

COMPANY INFORMATION

Directors	J Mulville M Redhead P Cohen A Dugdale K Wilson
Company secretary	P Cohen
Registered number	01909622
Registered office	Hanover House 14 Hanover Square London W1S 1HP
Trading Address	33 Oval Road London NW1 7EA
Independent auditors	Sopher + Co LLP Chartered Accountants & Statutory Auditors 5 Elstree Gate Elstree Way Borehamwood Hertfordshire WD6 1JD
Bankers	Coutts & Co 440 Strand London WC2R 0QS
Solicitors	Harbottle and Lewis LLP Hanover House 14 Hanover Square London W1S 1HP

HAT TRICK PRODUCTIONS LIMITED

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HAT TRICK PRODUCTIONS LIMITED

HAT TRICK GROUP BUSINESS HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2018

Hat Trick Productions Limited is a wholly owned subsidiary of Hat Trick Holdings Limited. Hat Trick would like to highlight the following achievements:

- Adjusted Profit after Tax of £2.2m
- The first episode of the second series of *Derry Girls* became Channel 4's biggest UK comedy launch for 15 years
- Produced three shows for UKTV; *Hypothetical* on Dave, *Flack* on W and *Fantasy Homes by the Sea* for Really
- The 55th and 56th series of *Have I Got News For You* were produced in the UK, with local versions in Norway, Finland and Holland
- *Whose Line is it Anyway?* now in its seventh series on the US channel The CW
- Launched Livewire Pictures with Guy Freeman and Anita Land, which produced *Ariana Grande at the BBC* and won *The Proms* television coverage tender for 2019 and 2020 in its first year

HAT TRICK PRODUCTIONS LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their Strategic review for the year end 31 December 2018.

Business review

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 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 more quickly than they otherwise might be able to.

Content creation

Hat Trick produced programmes for BBC1, ITVBe, ITV4, Channel 4, Channel 5, Dave, Really, W and US channels The CW and Pop in 2018.

The second series of *Derry Girls* continued where the first series left off, as it “became Channel 4’s biggest UK comedy launch episode for 15 years”. The third series has recently been commissioned.

Have I Got News For You continues to perform. The 55th and 56th series were produced in 2018, with twenty more episodes commissioned for 2019.

Three shows produced for UKTV; *Hypothetical* on Dave, *Flack* on W and *Fantasy Homes by the Sea* for Really.

Hat Trick had its best ever year in Non-Scripted programming, which included *Time it Takes* on BBC1, *Dinner Date* on ITVBe, *Football Genius* on ITV4 and *Rich House, Poor House* for Channel 5.

We continue to attract some of the industry’s leading talent, including Martin Clunes taking the title role on *Warren*.

Whose Line is it Anyway? now in its seventh series on The CW

Rights exploitation

We continue to exploit the majority of our extensive programming catalogue in-house through Hat Trick International (HTI). HTI continues to benefit from Hat Trick’s strong production pipeline, as well as through its relationships with other production companies.

Investments

Plum Pictures produced programmes for the BBC, ITV1 and Channel 4 in 2018 and recently won its first commission with Amazon Prime for *Our Man in Japan*.

Emporium Productions had its best ever year, producing a number of shows, including two series of *Inside the World’s Toughest Prisons* for Netflix.

Livewire Pictures launched in February 2018 and in its first year of operations produced *Ariana Grande at the BBC* and won *The Proms* television coverage tender for 2019 & 2020.

HAT TRICK PRODUCTIONS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Principal risks and uncertainties

Foreign exchange risk

The Company's primarily within the UK and so has limited exposure to foreign exchange movements. However, any material exposure is hedged on a case by case basis.

Credit risk

A large percentage of the Company's programming is conducted with the BBC and other established broadcasters. Therefore, the company does not have a significant exposure to credit defaults.

Liquidity risk

The Company's has sufficient cash reserves to cover the day to day working capital requirements. The working capital of the business is closely monitored to ensure these commitments are met.

Financial key performance indicators

Hat Trick uses Adjusted Profit after Tax (profit after tax, excluding amortisation & share options charge) as its key performance indicator.

Adjusted profit after tax was £2.2m in the period, £0.1m lower than the previous year.

This report was approved by the board on 2 May 2019 and signed on its behalf.



P Cohen
Director

HAT TRICK PRODUCTIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

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 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 more quickly than they otherwise might be able to.

Directors

The directors who served during the year were:

J Mulville
M Redhead
P Cohen
A Dugdale
K Wilson

Results and dividends

The profit for the year, after taxation, amounted to £1,772,838 (2017 - £1,526,432).

The directors do not propose payment of dividends for the year.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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;
- 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 to 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.

HAT TRICK PRODUCTIONS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Future developments

Hat Trick benefits from a raft of returning series, as well as a strong pipeline of new programming in various stages of development.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed 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 ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Under section 487(2) of the Companies Act 2006, Sopher + Co LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 2 May 2019 and signed on its behalf.



P Cohen
Director

HAT TRICK PRODUCTIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HAT TRICK PRODUCTIONS LIMITED

Opinion

We have audited the financial statements of Hat Trick Productions Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the

HAT TRICK PRODUCTIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HAT TRICK PRODUCTIONS LIMITED (CONTINUED)

work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

HAT TRICK PRODUCTIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HAT TRICK PRODUCTIONS LIMITED (CONTINUED)

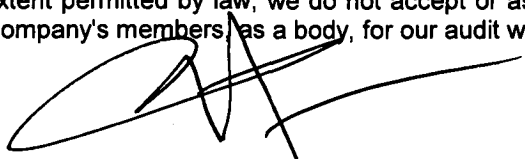
Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.



Stephen Iseman FCA (Senior Statutory Auditor)

for and on behalf of
Sopher + Co LLP

Chartered Accountants
Statutory Auditors

5 Elstree Gate
Elstree Way
Borehamwood
Hertfordshire
WD6 1JD

2 May 2019

HAT TRICK PRODUCTIONS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	21,260,426	19,456,642
Cost of sales		(12,467,192)	(12,118,894)
Gross profit		8,793,234	7,337,748
Administrative expenses		(8,251,111)	(6,995,824)
Other operating income	5	1,181,197	1,352,352
Exceptional item	6	-	(30,595)
Operating profit	7	1,723,320	1,663,681
Income from fixed assets investments		179,900	187,500
Interest receivable and similar income		20,822	5,203
Interest payable and expenses	12	(3,591)	(11,038)
Profit before tax		1,920,451	1,845,346
Tax on profit	13	(147,613)	(318,914)
Profit for the financial year		1,772,838	1,526,432

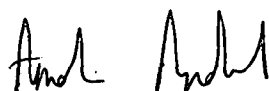
The notes on pages 12 to 29 form part of these financial statements.

HAT TRICK PRODUCTIONS LIMITED
REGISTERED NUMBER:01909622

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	14	450,000	-
Tangible assets	15	830,957	954,947
Investments	16	692,038	674,050
		<u>1,972,995</u>	<u>1,628,997</u>
Current assets			
Stocks	17	-	51,675
Debtors: amounts falling due within one year	18	15,276,852	11,591,426
Cash at bank and in hand	19	204,637	2,395,455
		<u>15,481,489</u>	<u>14,038,556</u>
Current liabilities			
Creditors: amounts falling due within one year	20	(9,130,127)	(9,328,437)
Net current assets		<u>6,351,362</u>	<u>4,710,119</u>
Total assets less current liabilities		<u>8,324,357</u>	<u>6,339,116</u>
Creditors: amounts falling due after more than one year	21	(328,697)	(353,821)
Net assets		<u><u>7,995,660</u></u>	<u><u>5,985,295</u></u>
Capital and reserves			
Called up share capital	25	614	614
Capital redemption reserve	26	600	600
Other reserves	26	1,023,630	786,103
Profit and loss account	26	6,970,816	5,197,978
		<u><u>7,995,660</u></u>	<u><u>5,985,295</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 May 2019.



A Dugdale
Director

The notes on pages 12 to 29 form part of these financial statements.

HAT TRICK PRODUCTIONS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Capital redemption reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018	614	600	786,103	5,197,978	5,985,295
Profit for the year	-	-	-	1,772,838	1,772,838
Share option charge	-	-	237,527	-	237,527
At 31 December 2018	614	600	1,023,630	6,970,816	7,995,660

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Capital redemption reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2017	614	600	1,439,169	3,671,546	5,111,929
Profit for the year	-	-	-	1,526,432	1,526,432
Share option charge	-	-	(653,066)	-	(653,066)
At 31 December 2017	614	600	786,103	5,197,978	5,985,295

The notes on pages 12 to 29 form part of these financial statements.

HAT TRICK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General Information

Hat Trick Productions Limited is an industry leading content creator with award winning television programmes.

The Company is a wholly owned subsidiary of Hat Trick Holdings Limited and has its own subsidiaries through which it has rights ownership of long running television programmes. The Company is incorporated in England and Wales and its registered office is Hanover House, 14 Hanover Square, London, W1S 1HP and trading office address at 33 Oval Road, London, NW1 7EA.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The Company is itself a subsidiary company and is exempt from the requirement to prepare Group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Production turnover and gross profit are recognised over the period of production on a stage of completion and straight line basis respectively.

Sums receivable from distribution by related parties are recognised when receivable. Where third party distributors are used, turnover is recognised on a receivable basis in accordance with distribution statements, unless an advance is received, in which case turnover is then recognised on the later of the licence period start date or completion of all deliverables.

Royalties receivable are accounted for on a royalty earnings basis as part of turnover. Non-returnable, recoupable advances are accounted for on completion of delivery requirements.

HAT TRICK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.3 Intangible assets

Format licences

Acquired format licences are initially recognised at cost as an intangible asset. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Short-term leasehold property	- over the period of the lease
Plant and machinery	- 25% straight line
Motor vehicles	- 25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Valuation of investments

Investments in subsidiaries and associates are accounted for at cost less accumulated impairment in the individual financial statements.

2.7 Work in progress

Project development costs, carried forward under work in progress, represent costs incurred on projects in development and are stated at the lower of cost and estimated net realisable value.

HAT TRICK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is £ Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.12 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

HAT TRICK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.13 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

2.14 Share options

The Company has applied the requirements of Section 26 under FRS 102 Share-based Payments. The company 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 expenses on a straight line basis over the period to when management estimates the options will be exercised as adjusted for known vesting conditions.

Fair value is measured by use of the Black - Scholes pricing model. The principal assumptions made in the model are described in note 9.

2.15 Cash flow

The Company, being a subsidiary where the parent prepares publicly available consolidated financial statements, has claimed exemption from preparing a cash flow statement.

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

2.17 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

HAT TRICK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

a) Determine whether leases entered into by the Company as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

b) Determine whether there are indicators of impairment of the Company's tangible assets and investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

c) Determine at the year end the fair value of share options granted. The shares of the Company are not actively traded in a market and therefore directors use their judgement to ensure they adopt the most appropriate valuation method to determine fair value. Vesting conditions are taken into account when estimating the fair value of the share options.

In preparing these financial statements, the directors have considered the following key sources of estimation uncertainty:

Tangible assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and estimated disposal values.

4. Turnover

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	17,829,309	17,934,504
Rest of Europe	624,934	283,136
Rest of the world	2,806,183	1,239,002
	<u>21,260,426</u>	<u>19,456,642</u>

HAT TRICK PRODUCTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

5. Other operating income

	2018	2017
	£	£
Occupancy and personnel cost recharges	<u>1,181,197</u>	<u>1,352,352</u>

6. Exceptional items

	2018	2017
	£	£
Provision against loan to group undertaking	<u>-</u>	<u>30,595</u>

7. Operating profit

The operating profit is stated after charging:

	2018	2017
	£	£
Exchange differences	(20,575)	965
Other operating lease rentals	<u>800,224</u>	<u>694,854</u>

8. Auditors' remuneration

	2018	2017
	£	£
Auditing of accounts of the Company pursuant to legislation	28,113	21,247
Tax compliance services	10,000	10,000
	<u>38,113</u>	<u>31,247</u>

HAT TRICK PRODUCTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Share based payments

Equity-settled share option scheme

The Company has implemented two enterprise management incentive share option schemes, one on the 30th November 2006 and the other on 25th January 2011. All share options granted after 25th January 2011, which includes all the options granted in 2011, will be under the new scheme.

Share options granted under these schemes are only exercisable on or after the earlier of an exit event and any date(s) as specified in the option agreement. Under both scheme rules, an exit event is defined as the earlier of a share sale, a listing or a trade sale.

At 31 December 2018, 14,487 (2017 - 15,257) options were outstanding. If the options remain unexercised after a period of 10 years they expire. Options are forfeited if the employee leaves the group before they have been exercised.

The weighted average remaining contractual life of the share options outstanding at the end of the period was 3 years.

The aggregate of the estimated fair value of the share options granted is £1,023,127, resulting in a positive net charge of £237,527 (2017 - negative net charge of £653,066) in the Statement of Comprehensive Income due to cancelled options relating to charge in 2012 .

This is based on the Black – Scholes model using the following assumptions:

Weighted average share price at grant	£117.25
Weighted average exercise price	£1.00
Expected volatility	93%
Risk-free rate	2.13%

HAT TRICK PRODUCTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	4,455,223	3,356,674
Social security costs	525,716	503,177
Cost of defined contribution pension scheme	216,775	197,049
	<u>5,197,714</u>	<u>4,056,900</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Management	7	7
Administration	33	34
Production, development and writing	24	24
	<u>64</u>	<u>65</u>

11. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	964,340	1,000,717
Company contributions to defined contribution pension schemes	60,458	51,496
	<u>1,024,798</u>	<u>1,052,213</u>

During the year retirement benefits were accruing to 5 directors (2017 - 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £399,439 (2017 - £385,195).

HAT TRICK PRODUCTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Interest payable and similar expenses

	2018 £	2017 £
Finance leases and hire purchase contracts	3,591	7,581
Other interest payable	-	3,457
	3,591	11,038

13. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	223,079	209,436
Adjustments in respect of previous periods	-	(42,907)
Total current tax	223,079	166,529
Deferred tax		
Origination and reversal of timing differences	(75,466)	152,385
Taxation on profit on ordinary activities	147,613	318,914

HAT TRICK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard (2017 - composite) rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>1,920,451</u>	<u>1,845,346</u>
Profit on ordinary activities multiplied by the standard (2017 - composite) rate of corporation tax in the UK of 19% (2017 -19.25%)	364,886	355,229
Effects of:		
Expenses not deductible for tax purposes	50,157	45,872
Depreciation for year in excess of capital allowances	5,350	(2,045)
Adjustments to tax charge in respect of prior periods	-	(42,907)
Dividends from UK companies	(34,181)	(36,094)
Non-taxable charge of employee options	45,130	(125,715)
Other differences leading to a decrease in the tax charge	-	(37)
Group relief	(208,263)	(27,774)
Movement in deferred tax	(75,466)	152,385
Total tax charge for the year	<u>147,613</u>	<u>318,914</u>

HAT TRICK PRODUCTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

14. Intangible assets

	Format licence £
Cost	
Additions	500,000
At 31 December 2018	500,000
Amortisation	
Charge for the year	50,000
At 31 December 2018	50,000
Net book value	
At 31 December 2018	450,000
At 31 December 2017	-

HAT TRICK PRODUCTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

15. Tangible fixed assets

	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 January 2018	1,220,970	3,681,538	83,244	4,985,752
Additions	13,263	118,304	-	131,567
Disposals	-	(71,682)	-	(71,682)
At 31 December 2018	<u>1,234,233</u>	<u>3,728,160</u>	<u>83,244</u>	<u>5,045,637</u>
Depreciation				
At 1 January 2018	633,794	3,315,502	81,509	4,030,805
Charge for the year on owned assets	72,775	158,071	1,734	232,580
Charge for the year on financed assets	-	3,623	-	3,623
Disposals	-	(52,328)	-	(52,328)
At 31 December 2018	<u>706,569</u>	<u>3,424,868</u>	<u>83,243</u>	<u>4,214,680</u>
Net book value				
At 31 December 2018	<u>527,664</u>	<u>303,292</u>	<u>1</u>	<u>830,957</u>
At 31 December 2017	<u>587,176</u>	<u>366,036</u>	<u>1,735</u>	<u>954,947</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Furniture, fittings and equipment	<u>39,858</u>	<u>27,061</u>

HAT TRICK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. Fixed asset investments

	Investments in subsidiary companies £	Investments in associates £	Total £
Cost			
At 1 January 2018	1,335	672,715	674,050
Additions	1	17,987	17,988
At 31 December 2018	<u>1,336</u>	<u>690,702</u>	<u>692,038</u>
Net book value			
At 31 December 2018	<u>1,336</u>	<u>690,702</u>	<u>692,038</u>
At 31 December 2017	<u>1,335</u>	<u>672,715</u>	<u>674,050</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Hat Trick International Limited	Ordinary	100 %	Distribution of content
Hat Trick Television Limited	Ordinary	100 %	Creation of content for broadcast media
Hat Trick (Warren) Limited (previously known as Hat Trick (LTBOS) Limited)	Ordinary	100 %	Creation of content for broadcast media
Hat Trick Holdings Inc.	Ordinary	100 %	Creation of content for broadcast media
Hat Trick East Inc.	Ordinary	100 %	Creation of content for broadcast media
Hat Trick Entertainment Inc.	Ordinary	100 %	Creation of content for broadcast media
Hat Trick (DG) Limited	Ordinary	100 %	Creation of content for broadcast media
Hat Trick (Trollope) Limited	Ordinary	100 %	Creation of content for broadcast media
Hat Trick (FTM) Limited (previously known as Hat Trick (WL) Limited)	Ordinary	100 %	Creation of content for broadcast media
Hat Trick (Flack) Limited	Ordinary	100 %	Creation of content for broadcast media

The Company is taking advantage of the exemption available to a parent company included in the accounts of a larger group, not to disclose its share of subsidiaries equity or profit for the year.

All of the above companies have their registered office at Hanover House, 14 Hanover Square, London W1S 1HP apart from Hat Trick Holdings Inc., Hat Trick East Inc. and Hat Trick Entertainment Inc. whose registered address is 16000 Ventura Blvd., Suite 900, Encino, CA 91436, USA.

HAT TRICK PRODUCTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Fixed asset investments (continued)

Associates

Name	Registered office	Class of shares	Holding	Principal activity
Plum Pictures Limited	England and Wales	Ordinary	25%	Creation of content for broadcast media
Toff Media Limited	England and Wales	Ordinary	50%	Creation of content for broadcast media
Emporium Productions Limited	England and Wales	Ordinary	49%	Creation of content for broadcast media
Livewire Pictures Limited	England and Wales	Ordinary	50%	Creation of content for broadcast media

17. Work in progress

	2018 £	2017 £
Work in progress	-	51,675

18. Debtors

	2018 £	2017 £
Trade debtors	1,861,779	1,914,681
Amounts owed by group undertakings	10,831,241	7,497,016
Amounts owed by joint ventures and associated undertakings	855,233	125,600
Other debtors	37,302	33,061
Prepayments and accrued income	1,452,899	1,858,136
Deferred taxation	238,398	162,932
	15,276,852	11,591,426

The carrying value of all debtor balances above equates to fair value. No balances were impaired at the year end (2017 – same).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

HAT TRICK PRODUCTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

19. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	204,637	2,395,455
Less: bank overdrafts	(62)	-
	<u>204,575</u>	<u>2,395,455</u>

20. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	62	-
Trade creditors	178,515	256,152
Amounts owed to group undertakings	5,319,862	5,096,195
Corporation tax	37,515	9,436
Other taxation and social security	716,544	578,936
Obligations under finance lease and hire purchase contracts	14,444	17,857
Other creditors	16,198	28,838
Accruals and deferred income	2,846,987	3,341,023
	<u>9,130,127</u>	<u>9,328,437</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

21. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Net obligations under finance leases and hire purchase contracts	25,364	15,488
Accruals	303,333	338,333
	<u>328,697</u>	<u>353,821</u>

HAT TRICK PRODUCTIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

22. Financial instruments

	2018	2017
	£	£
Financial assets		
Financial assets measured at fair value through profit or loss	204,637	2,395,455
Financial assets that are debt instruments measured at amortised cost	14,574,115	10,874,405
	<u>14,778,752</u>	<u>13,269,860</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(7,597,347)</u>	<u>(7,258,002)</u>

Financial assets measured at fair value through profit or loss comprise of cash at bank and in hand.

Financial assets measured at amortised cost comprise of trade debtors, amounts owed by group undertaking, other debtors, and accrued income.

Financial liabilities measured at amortised cost comprise of trade creditors, short term bank loan, other creditors and accruals.

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2018	2017
	£	£
Within one year	14,444	17,857
Between 1-5 years	25,364	15,488
	<u>39,808</u>	<u>33,345</u>

24. Deferred taxation

	2018	2017
	£	£
At beginning of year	162,932	315,316
Charged to the profit or loss	75,466	(152,384)
At end of year	<u>238,398</u>	<u>162,932</u>

HAT TRICK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

24. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2018 £	2017 £
Decelerated capital allowances	43,908	13,572
Share option reserves	194,490	149,360
	<u>238,398</u>	<u>162,932</u>

The net deferred tax liability expected to release next year is £6,000. This primarily relates to the reversal of existing timing differences on acquired tangible fixed assets and capital allowances through depreciation, offset by expected tax deductions when payment are made to utilise provisions.

25. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
61,428 (2017 - 61,428) Ordinary shares of £0.01 each	<u>614</u>	<u>614</u>

26. Reserves

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the Company.

Other reserves

This reserve records all charges in relation to the enterprise management share option scheme implemented by the Group and recognised by the Company.

Profit and loss account

This reserve represents the cumulative balance of retained profits and losses to the balance sheet date, all of which are distributable.

27. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £216,776 (2017 - £197,049). Contributions totalling £4,535 (2017 - £8,982) were payable to the fund at the balance sheet date and are included in creditors.

HAT TRICK PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

28. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	700,000	775,500
Later than 1 year and not later than 5 years	2,800,000	2,376,000
Later than 5 years	2,800,000	2,970,000
	<u>6,300,000</u>	<u>6,121,500</u>

29. Related party transactions

During the period, the Company entered into transactions on an arms length basis, in the ordinary course of business, and had balances at the year end with the following related parties.

	Year ended 31 Dec 2018 Sales £	Year ended 31 Dec 2018 Debtor £	Year ended 31 Dec 2017 Sales £	Year ended 31 Dec 2017 Debtor £
Plum Pictures Limited	518,623	47,870	709,973	95,490
Emporium Productions Limited	294,433	34,132	346,908	28,670
HTM Television Limited	(5,500)	293,051	7,500	125,704
Livewire Pictures Limited	73,778	584,909	-	-

During the year the company acquired certain format rights from J Mulville, a director of the company, at an open market consideration of £500,000. At the balance sheet date the Company was owed £2,455 (2017 - £8,415) by J Mulville included in other debtors.

The company has taken advantage of the exemption under FRS102 33.1A Related Party Disclosures not to disclose transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group.

Key management personnel

During the year, the Company paid remuneration totalling £2,088,421 (2017 - £2,071,924) to its key management personnel.

30. Controlling party

The ultimate parent company and controlling party is Hat Trick Holdings Limited, a company registered in England and Wales. Hat Trick Holdings Limited is the parent company of the largest and smallest group of which Hat Trick Productions Limited is a member and for which group financial statements are drawn up. Copies of the consolidated financial statements are available from the Registrar of Companies. The directors regard J Mulville, a director of the Company, as the ultimate controlling party.