

PARENT COMPANY ACCOUNTS FILED IN RESPECT OF
SUBSIDIARY COMPANY

Liberty Bell Productions Limited
Company Number: 04454622

Company Registration No. 08442815 (England and Wales)

TIVERTON 2 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016



TIVERTON 2 LIMITED

COMPANY INFORMATION

Directors	R Allen-Turner R Aslett J Mowll G Perkins J Thoday T Robinson (Appointed 5 September 2016)
Secretary	R Allen-Turner
Company registration number	08442815
Registered office	4a Exmoor Street London W10 6BD
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor London United Kingdom EC4A 3BZ
Bankers	The Royal Bank of Scotland Plc 62/63 Threadneedle Street PO Box 412 London EC2R 8LA

TIVERTON 2 LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 6
Consolidated profit and loss account	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated statement of changes in equity	10
Company statement of changes in equity	11
Consolidated statement of cash flows	12
Notes to the financial statements	13 - 32

TIVERTON 2 LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present the strategic report and audited financial statements for the year ended 30 June 2018.

Review of the business

The Tiverton 2 group of companies are principally engaged in television production and promoting live comedy tours and one-off performances

The consolidated group achieved a turnover of £33,726,628 (2015: £38,472,200) and delivered an operating profit of £1,964,587 (2016: £1,459,407)

The Tiverton 2 Group has continued the successful strategy of developing and maximising strong brands, achieved by working with some of the best creative talent in the entertainment business, nurturing and developing new ideas and properties both on-screen and on-stage, delivering a strong television production and live events slate, retaining rights in TV programming, and by having a highly focused distribution team operating in the secondary TV market. This strategy requires a significant level of reinvestment of profits back into the creative process. The directors feel confident that the financial risks thereof are managed appropriately. The high level of investment made over recent years is expected to lead to improvements in the group's performance during the year to 30 June 2017 and beyond. We are proud to continue working with the talent that we do, and are extremely grateful to them and to all of our staff for all their hard work.

Principal risks and uncertainties

The principal risks faced by the Company include competition from rival producers, retention and development of key talent, retention and exploitation of programming rights, competition from rival promoters in all markets and the cyclical nature of seasonal touring for our largest artists – i.e. having to schedule live performances around TV shows and other competing interests for our artists.

Key to the continued success of the Tiverton 2 Group is its ability to secure commission and re-commissions of its programmes. The Group tracks ratings undertaking further audience and market research where necessary and responds to rating performance by adapting programmes where required. The Group's creative relationships with third parties and key talent are important to the performance of the Group. These relationships are closely managed on a day to day basis.

Foreign exchange transactional currency exposure

The group is exposed to currency exchange risk due to a proportion of its receivables being denominated in non-sterling currencies. This exposure is managed in a majority of occasions as payments made out of the group relating to foreign currency are only made on receipt of payment and income is retranslated at the receipt rate. Balances of US dollars and Euros are maintained generally, reducing further the risk to the group.

Credit risk

Whilst a large percentage of the Group's programming is conducted with established broadcasters, there is still a risk of credit defaults. The Group actively manages its contracts across all divisions and routinely monitors the status of receivables.

Liquidity risk

The Group is subject to day to day working capital requirements, and has access to an overdraft and revolving credit facility primarily for working capital requirements. The Directors consider the risks associated with this facility are low considering the current and projected performance of the Group.

TIVERTON 2 LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

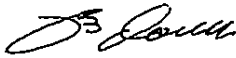
Key performance indicators

The Group's performance is managed by revenue type and division.

Key brands are constantly monitored and reviewed by tracking of financial performance, particularly in relation to revenues and gross margins, this is performed on a brand and revenue source basis.

In the current year turnover has decreased by 7.6% to £33.7m (2015: £36.6m), however the gross profit margin has increased to 26.8% (2015: 22.1%).

On behalf of the board



J Mowat

Director

12 December, 2016.

TIVERTON 2 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2016

The directors present their annual report and audited financial statements for the year ended 30 June 2016.

Directors

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

R Allen-Turner

R Aslett

J Mowll

G Perkins

J Thoday

R Winters

T Robinson

(Resigned 31 July 2016)

(Appointed 5 September 2016)

Results and dividends

The results for the year are set out on page 7

A dividend of £nil (2015: £nil) was declared in the year

Future developments

We are not aware of any trends or factors which are likely to have significant impact on the future development, performance and position of the Company's business.

Auditor

The Auditor, Deloitte LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006

Directors' responsibilities statement

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), including FRS102 "The Financial Reporting Standards 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TIVERTON 2 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company and group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company and group is aware of that information.

Post balance sheet events


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

Going Concern

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the note 1 of the financial statements.

On behalf of the board



J Mowll

Director 12 December, 2016

TIVERTON 2 LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TIVERTON 2 LIMITED

We have audited the financial statements of Tiverton 2 Limited for the year 30 June 2016 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, company statement of changes in equity, the consolidated cash flow, and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in UK and Republic of Ireland".

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 auditor's 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 auditor

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2016 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

TIVERTON 2 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TIVERTON 2 LIMITED

Matters on which we are required to report by exception

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

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



Andrew Evans (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London
United Kingdom
EC4A 3BZ

13 December, 2016

TIVERTON 2 LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £	2015 £
Turnover	3	33,728,828	38,472,200
Cost of sales		(24,894,424)	(28,422,233)
Gross profit		8,032,204	8,049,867
Administrative expenses		(7,067,817)	(8,590,560)
Operating profit	4	1,864,587	1,459,407
Interest receivable and similar income	8	868	6,741
Interest payable and similar charges	9	(162,347)	(201,858)
Profit on ordinary activities before taxation		1,803,108	1,264,482
Tax on profit on ordinary activities	10	(434,687)	(387,137)
Profit for the financial year	21	1,368,421	897,355

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

The Company has elected to take exception under section 408 of the Companies Act 2008 not to present the Company profit and loss account. The loss for the Company for the year was £217,542 (2015: £216,604)

TIVERTON 2 LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Intangible assets	11	1,071,383		1,641,410	
Tangible assets	12	97,144		65,098	
		<u>1,168,527</u>		<u>1,706,508</u>	
Current assets					
Debtors	16	10,742,898		8,926,633	
Cash at bank and in hand		1,171,283		2,080,125	
		<u>11,914,189</u>		<u>12,006,768</u>	
Creditors: amounts falling due within one year	17	<u>(18,748,517)</u>		<u>(20,747,488)</u>	
Net current liabilities		<u>(6,834,328)</u>		<u>(8,740,728)</u>	
Total assets less current liabilities		<u>(5,665,801)</u>		<u>(7,034,222)</u>	
Capital and reserves					
Called up share capital	20	10,002		10,002	
Merger reserves	page 10	(2,128,523)		(2,128,523)	
Profit and loss account	21	(3,547,280)		(4,915,701)	
Total shareholders deficit		<u>(5,665,801)</u>		<u>(7,034,222)</u>	

The notes on pages 13 to 32 are an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue by the board of directors on 12 December 2016 and are signed on its behalf by

J Threlby
Director

TIVERTON 2 LIMITED

COMPANY BALANCE SHEET

AS AT 30 JUNE 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Investments	13		9,491,602		9,491,602
Current assets					
Debtors	16	2,265,184		2,265,183	
Creditors: amounts falling due within one year	17	(12,547,505)		(12,329,982)	
Net current liabilities			(10,282,321)		(10,064,779)
Total assets less current liabilities			<u>(790,719)</u>		<u>(573,177)</u>
Capital and reserves					
Called up share capital	20		10,002		10,002
Profit and loss account	21		(800,721)		(583,179)
Total equity			<u>(790,719)</u>		<u>(573,177)</u>

The financial statements were approved by the board of directors and authorised for issue on 12 December 2016 and are signed on its behalf by:

J Thorpy
Director

Company Registration No. 08442815

TIVERTON 2 LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Called up share capital £	Merger reserves £	Profit and loss reserves £	Total £
Balance at 1 July 2014		10,002	(2,128,523)	(5,813,056)	(7,931,577)
Year ended 30 June 2015:					
Profit and total comprehensive income for the year		-	-	897,365	897,365
Balance at 30 June 2015		10,002	(2,128,523)	(4,915,701)	(7,034,222)
Year ended 30 June 2016:					
Profit and total comprehensive income for the year		-	-	1,368,421	1,368,421
Balance at 30 June 2016	20, 21	10,002	(2,128,523)	(3,547,280)	(5,665,801)

TIVERTON 2 LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Called up share capital £	Profit and loss reserves £	Total £
Balance at 1 July 2014		10,002	(388,575)	(368,573)
Year ended 30 June 2015.				
Loss and total comprehensive expense for the year		-	(216,604)	(216,604)
Balance at 30 June 2015		10,002	(583,179)	(573,177)
Year ended 30 June 2016.				
Loss and total comprehensive expense for the year		-	(217,542)	(217,542)
Balance at 30 June 2016	20, 21	10,002	(800,721)	(790,719)

TIVERTON 2 LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 £	£	2015 £	£
Net cash flows from operating activities					
Cash generated from group operations	25	259,960		(2,400,371)	
Taxation paid		(445,947)		(308,915)	
Net cash outflow from operating activities		(185,987)		(2,707,286)	
Cash flow from investing activities					
Purchase of tangible fixed assets		(61,367)		(45,273)	
Interest received		858		6,741	
Net cash used in investing activities		(60,499)		(38,532)	
Cash flow from financing activities					
(Repayment of)/increase in bank loans		(499,999)		371,844	
Interest paid		(162,347)		(154,889)	
Net cash (used in)/generated from financing activities		(662,346)		216,955	
Net decrease in cash and cash equivalents		(908,832)		(2,528,863)	
Cash and cash equivalents at beginning of year		2,080,125		4,608,988	
Cash and cash equivalents at end of year		1,171,293		2,080,125	

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

1.1 General information

Tiverton 2 Limited ("the Company") and its subsidiaries (together "the Group") are principally engaged in television production and promoting live comedy tours and one off performances in the UK. The Company is a limited company domiciled and registered in England and Wales. The registered office is 4a Exmoor Street, London W10 6BD.

The group consists of Tiverton 2 Limited and all of its subsidiaries.

1.2 Statement of compliance

The group and individual financial statements of Tiverton 2 Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

These group and company financial statements for the year ended 30 June 2016 are the first financial statements of Tiverton 2 Limited and the group prepared in accordance with FRS 102. The financial statements for the preceding period were prepared in accordance with previous UK GAAP. Information on the impact of first-time adoption of FRS102 is given in note 26.

1.3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

(Continued)

1.3 Summary of significant accounting policies (Continued)

(b) Going concern

The group's business review, consisting of business activities and profitability, strategy for growth, together with an assessment of the principal risks and uncertainties facing the business, is set out in the Strategic Report

The group continues to be profitable as shown in the consolidated profit and loss account for the year ended 30 June 2016, and the group's forecast and projections indicate the group will continue to be profitable through the current financial year and beyond.

The cash flow of the group remains strong and the directors have no grounds for concern regarding the group's ability to meet its obligations as they fall due and to continue to operate within the available headroom of its banking facilities. As an added level of assurance and as a formality of preparing the accounts of Tiverton 2 Limited, Martinhoe Holdings Ltd, as detailed in note 23 to the financial statements (Related Party Transactions) has verified that amounts due from Tiverton 2 Limited group entities to Martinhoe Holdings Limited group entities, will only be called in during the 12 month period after signing the 2016 Tiverton 2 Limited financial statements, where payment of said balances can be made in addition to Tiverton 2 Limited group settling its third party liabilities as they fall due and meeting its bank facilities' covenants

In reaching their decision to prepare the accounts on a going concern basis, the directors have considered the above factors in the context of the current economic climate, taking into account reasonably possible changes in trading performance in relation to the uncertainty of market conditions, and the directors have been able to form a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The directors have considered the following areas in making their assessment on the going concern basis of the group.

- The television production business requires some prefunding of productions. The directors have recently renegotiated their borrowing facility with their banks to ensure the working capital is available to support productions for the foreseeable future
- The group currently holds £2.5m of deferred revenue expected to crystallise within 12 months from the balance sheet date
- The group is closely linked to the Martinhoe Holdings Ltd group with shared directors and shared ultimate control. Where necessary cash can be moved between the groups to maintain necessary levels of working capital within each.
- The brand names represented in the group are all considered strong within the industry, producing successful television productions. The group companies are able to utilise the extensive pool of talent represented within the Martinhoe Holdings Group to further support the strength of its productions.
- The group also maintains the ability to reduce both its payroll and property costs in line with any fluctuations in business. Staffing levels are dependant and linked to ongoing productions, and the UK property is managed on a modular basis allowing reductions in floor space and costs if necessary

(c) Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 30 June 2016

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control. All Intra-Group transactions, balances, income and expenses are eliminated on consolidation.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

(Continued)

1.3 Summary of significant accounting policies (Continued)

(d) Exceptions for qualifying entities under FRS102

The Company has taken advantage of the following exceptions

(i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows,

(ii) from the financial instrument disclosures, required under FRS102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29 as the information is provided in the consolidated financial statement disclosures.

(e) Foreign currency

(i) Functional and presentation currency

The Group financial statements are presented in pound sterling. The Company's functional and presentation currency is the pound sterling.

(ii) 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 profit and loss account.

(f) Turnover

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered net of value added taxes. Revenue is recognised to the extent it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

Turnover and costs are recognised by the different divisions as follows:-

Turnover and related costs on television productions are recognised as production activity progresses to reflect the proportion of work carried out during the year. Profit is recognised once the total outcome can be assessed with reasonable certainty.

Distribution turnover and related costs are recognised when a contractual arrangement is in place and the underlying programme is complete and available for delivery.

Promotions turnover and related costs are recognised on the activity date of the performance.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

(Continued)

1.3 Summary of significant accounting policies (Continued)

(g) Interest

Interest receivable and payable are recognised in the profit and loss account using the effective interest method

1.4 Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 10 years. Provision is made for any impairment.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows.

Improvements to property	12.5% on cost
Computer equipment	straight-line over 4 years
Fixtures and fittings	straight-line over 4 years
Production equipment	straight-line over 4 years
Motor vehicles	straight-line over 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

1.6 Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

In the company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

(Continued)

1.8 Financial instruments

The group has elected to apply the provisions of Section 11 and 12 of FRS 102 in respect of financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

1.9 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.10 Related party transactions

The Group discloses transactions with related parties which are not wholly-owned within the same Group. Related Party transactions were made on terms equivalent to those that prevail in arm's length transactions.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.11 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Current tax

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

Tax credits in relation to High-End Television Tax Relief, where successfully applied for, are included within cost of sales.

(ii) Deferred tax

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 they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.12 Retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the profit and loss account in the period to which they relate.

Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The assets of the plan are held separately from the Group in an independently administered fund.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

(Continued)

1.13 Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

1.14 Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

1.15 Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

No material judgements or estimates have been used in the preparation of the Group or Companies financial statements.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

3 Turnover and other revenue

Analysis of turnover by category

	2016 £	2015 £
Turnover		
Creation and exploitation of television content	29,188,154	28,550,471
Tour Promotion	4,540,474	9,921,728
	<u>33,728,628</u>	<u>38,472,200</u>

Analysis of turnover by geographical market:

	2016 £	2015 £
UK	29,769,084	34,748,358
Rest of world	3,957,544	1,725,844
	<u>33,728,628</u>	<u>36,472,200</u>

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after (crediting)/charging.		
Exchanges (gains)/losses	(274,242)	11,628
Depreciation of owned tangible fixed assets	29,319	43,284
Amortisation of intangible assets	570,027	570,027
Impairment of debtors	24,442	-
Operating lease charges	33,000	33,000
	<u></u>	<u></u>

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

5 Auditor's remuneration

	2016	2015
	£	£
Fees payable to the company's auditor and associates		
For audit services		
Audit of the financial statements of the group and company	42,500	14,750
Audit of the company's subsidiaries	8,760	52,750
Audit of the financial statements of related parties	48,500	32,000
	<u>99,760</u>	<u>99,500</u>
For other services		
Tax compliance services	12,500	13,900
Other taxation advisory services	11,809	4,438
Taxation services for related parties	57,405	35,862
	<u>81,514</u>	<u>54,200</u>

Fees in related parties relate to services provided to the Martinhoe Holdings Limited Group, who share the same ultimate shareholders as Tiverton 2 Limited (see note 23).

6 Employees

The average monthly number of persons employed by the group during the year was

	2016	2015
	Number	Number
Directors	14	7
Distribution	3	3
Promotion	13	18
Television production	15	18
	<u>45</u>	<u>42</u>

Their aggregate remuneration comprised

	2016	2015
	£	£
Wages and salaries	3,051,936	2,773,793
Social security costs	327,352	288,547
Pension costs	87,885	77,572
	<u>3,467,173</u>	<u>3,139,912</u>

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

7 Directors' remuneration

The directors for Tiverton 2 Limited are the same directors for Martinhoe Limited, a related company. The remuneration for their role as directors is paid through Martinhoe. It is not possible to determine the level of this remuneration that relates to Tiverton 2 and as such no amounts have been disclosed in these financials. The amounts the directors received for their role of both Tiverton 2 and Martinhoe are included in the financial statements of Martinhoe Limited (See note 23 Related party transactions).

Compensation to key management

Compensation to key management is as follows

	2016 £	2015 £
Remuneration for qualifying services	1,341,877	1,055,956
Company pension contributions to defined contribution schemes	83,730	56,847
	<u>1,405,607</u>	<u>1,112,802</u>

Company Pension contributions to defined contribution schemes.

The number of key management for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2015: 6)

8 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	868	6,741
	<u>868</u>	<u>6,741</u>

9 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	162,347	201,656
	<u>162,347</u>	<u>201,656</u>

10 Taxation

(a) Tax expense included in profit and loss	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current year	422,499	369,967
Adjustments in respect of prior year	9,178	-
Total UK current tax	<u>431,675</u>	<u>369,967</u>
Foreign current tax on profits for the current year	501	-
Total current tax	<u>432,176</u>	<u>369,967</u>

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

10 Taxation

(Continued)

Deferred tax		
Origination and reversal of timing differences	1,180	(1,053)
Changes in tax rates	-	589
Adjustment in respect of prior years	-	(3,743)
Other adjustments	1,331	1,397
Total deferred tax	2,511	(2,830)
Total tax on profit on ordinary activities	434,687	367,137

(b) Reconciliation of tax charge

Tax assessed for the period is higher (2015 higher) than the standard rate of corporation tax in the UK for the year ended 30 June 2016 of 20.00% (2015 20.75%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before taxation	1,803,108	1,264,492
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015 20.75%)	360,622	262,382
Tax effect of expenses that are not deductible in determining taxable profit	107,243	146,076
Tax effect of utilisation of tax losses not previously recognised	-	(584)
Permanent capital allowances in excess of depreciation	(6,792)	(5,984)
Depreciation on assets not qualifying for tax allowances	2,548	2,982
Other non-reversing timing differences	3,676	1,987
Under/(over) provided in the year	9,177	-
Chargeable disposals	-	469
Other tax adjustments (including foreign tax)	(41,786)	(42,181)
Tax charge for the year	434,687	367,137

(c) Tax rate changes

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from the 1 April 2015. During 2015 changes to the UK main corporation tax rate were enacted. The tax rate has fallen to 19% with effect from 1 April 2017. The Finance Act 2016 has reduced this rate further to 17% from 1 April 2020.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

11 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 July 2015 and 30 June 2016	5,700,273
Amortisation	
At 1 July 2015	4,068,883
Amortisation charged for the year	570,027
At 30 June 2016	4,628,860
Carrying amount	
At 30 June 2016	1,071,383
At 30 June 2015	1,641,410

The company had no intangible fixed assets at 30 June 2016 or 30 June 2015.

12 Tangible fixed assets

Group	Improvements to property £	Production equipment £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 July 2015	7,268	340,872	108,138	13,808	468,884
Additions	-	42,065	3,558	15,744	61,387
At 30 June 2016	7,268	382,837	111,694	28,362	531,251
Depreciation and impairment					
At 1 July 2015	7,268	284,400	84,898	8,222	404,788
Depreciation charged in the year	-	15,775	10,579	2,865	29,319
At 30 June 2016	7,268	310,175	105,477	11,187	434,107
Carrying amount					
At 30 June 2016	-	72,762	8,217	18,165	87,144
At 30 June 2015	-	48,472	13,238	5,386	65,096

The company had no tangible fixed assets at 30 June 2016 or 30 June 2015.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

13 Fixed asset investments

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	14	-	-	9,491,602	9,491,602

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

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

14 Subsidiaries

Details of the company's subsidiaries at 30 June 2016 are as follows

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held
Tiverton Holdings Limited † 08119354	UK	Intermediary holding company	Ordinary Shares	100 00
Avalon Entertainment Limited* † 05991699	UK	Intermediary holding company	Ordinary Shares	100 00
Avalon Promotions Limited* † 02475367	UK	Provision of services to performers	Ordinary Shares	100 00
Funnyfriend Limited* † 03039621	UK	Provision of services to performers	Ordinary Shares	100 00
Avalon Motion Pictures Limited* † 04285611	UK	Television Programme production	Ordinary Shares	100 00
Avalon Television Limited* † 02856604	UK	Television Programme production	Ordinary Shares	100 00
Tinderbox Television Limited* † 05278958	UK	Television Programme production	Ordinary Shares	100 00
Avalon Distribution Limited* † 06641887	UK	Television Programme production	Ordinary Shares	100 00
Avalon Factual Holdings Limited* † 07923558	UK	Intermediary holding company	Ordinary Shares	100 00
Flame Television Production Limited* † 03863614	UK	Television Programme production	Ordinary Shares	100 00
Liberty Bell Productions Limited* † 04454622	UK	Television Programme production	Ordinary Shares	100 00
Topical Television Limited* † 02657408	UK	Television Programme production	Ordinary Shares	100 00
Half Inch Recordings Limited* 05021050	UK	Dormant	Ordinary Shares	100 00
JSTO Tounng Limited* 05412136	UK	Dormant	Ordinary Shares	100 00
JSTO Limited* 04425397	UK	Dormant	Ordinary Shares	100 00
TV Recordings Limited* 04168101	UK	Dormant	Ordinary Shares	100 00
Cliffcouch Limited* 05865389	UK	Dormant	Ordinary Shares	100 00
Avalon Television (Cymru) Ltd* 05319921	UK	Dormant	Ordinary Shares	100 00
Brightwater Productions Limited* 03890352	UK	Dormant	Ordinary Shares	100 00
Sketch Productions Limited* 05164675	UK	Dormant	Ordinary Shares	100 00

*Indirect holding

† These non-dormant companies have elected to make use of the audit exemption. Under section 479A of the Companies Act 2006, in order to fulfil the conditions set out in the regulations, the Company has given statutory guarantee of all outstanding liabilities to which the subsidiaries are subject at the end of the financial year to 30 June 2016.

The registered office of all of the company's subsidiaries, detailed above, is 4a Exmoor Street, London W10 5BD

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

14 Subsidiaries

(Continued)

Guarantees

The Company will guarantee the debts and liabilities of its UK subsidiaries at the reporting date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under these guarantees as remote

15 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	9,169,628	8,002,888	2,236,585	2,236,584
Equity instruments measured at cost less impairment	-	-	8,491,802	8,491,802
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount of financial liabilities				
Measured at amortised cost	(14,956,321)	(16,855,158)	12,547,605	12,329,982
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

Financial liabilities measured at amortised cost comprise of trade creditors, other creditors, accruals and amounts owed to group undertakings.

16 Debtors

	Group 2016 £	2015 £	Company 2016 £	2015 £
Amounts falling due within one year:				
Trade debtors	2,232,212	3,571,595	3,103	3,102
Corporation tax recoverable	-	-	28,599	28,599
VAT recoverable	9,109	-	-	-
Amounts owed by group undertakings	-	-	2,223,480	2,223,480
Amounts owed by participating interest	271,106	62,020	-	-
Other debtors	723,080	806,189	10,002	10,002
Prepayments and accrued income	7,498,857	5,475,788	-	-
	<u>10,734,364</u>	<u>9,915,590</u>	<u>2,265,184</u>	<u>2,265,183</u>
Amounts falling due after one year:				
Deferred tax asset (note 18)	8,532	11,043	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total debtors	<u>10,742,896</u>	<u>9,926,633</u>	<u>2,265,184</u>	<u>2,265,183</u>

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

16 Debtors

(Continued)

Amounts owed by group undertakings and participating interest are unsecured, interest free, have no fixed payment date and are repayable on demand

17 Creditors: amounts falling due within one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans and overdrafts		3,485,001	3,965,000	4,981,803	4,790,280
Trade creditors		507,889	711,818	-	-
Amounts owed to group undertakings		-	-	7,529,702	7,529,702
Amounts owed to participating interest		330,714	2,363,415	-	-
Corporation tax payable		128,848	142,421	-	-
Other taxation and social security		709,304	1,230,042	-	-
Other creditors		4,398	350,149	-	-
Accrued expenses		10,848,319	9,684,778	56,000	10,000
Deferred income		2,954,244	2,418,884	-	-
		<u>18,748,517</u>	<u>20,747,488</u>	<u>12,547,505</u>	<u>12,329,982</u>

A cross guarantee and debenture exists between the company, its ultimate parent company Tiverton 2 Limited and the following group companies: Tiverton Holdings Limited, Avalon Entertainment Limited, Avalon Factual Holdings Limited, Avalon Television Limited, Flame Television Production Limited, Liberty Bell Productions Limited, Tinderbox Television Limited, Topical Television Limited, Avalon Distribution Limited and Avalon Promotions Limited to secure bank overdraft and loan facilities available to these companies

The Group holds a committed revolving credit facility of £4m (2015: £4m) which is to be used for general corporate and working capital purposes which expires in June 2020. As at 30 June 2016 the Group had available £0.5m (2015: £nil) of undrawn committed borrowing facilities with a floating charge over the Group's assets, all conditions precedent had been met.

Amounts owed to group undertakings and participating interests are unsecured, interest free, have no fixed payment date and are repayable on demand

There are no other amounts disclosed within note 17 that are secured.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

18 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	Assets 2016 £	Assets 2015 £
Group		
Decelerated capital allowances	8,532	11,043
	<u>8,532</u>	<u>11,043</u>

The Company had no deferred tax provision at 30 June 2016 (2015: £nil)

	Group 2016 £	Company 2016 £
Movements in the year:		
Asset at 1 July 2015	(11,043)	-
Charges to profit or loss	2,511	-
Asset at 30 June 2016	<u>(8,532)</u>	<u>-</u>

Of the deferred tax asset set out above, £1,137 is expected to reverse within 12 months and relates to accelerated depreciation.

19 Retirement benefit schemes

	2016 £	2015 £
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	<u>87,885</u>	<u>77,572</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

20 Share capital

	Group and company	
	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
94,520 Ordinary A shares of 10p each	9,452	9,452
4,500 Ordinary B shares of 10p each	450	450
1,000 Ordinary D shares of 10p each	100	100
	<u>10,002</u>	<u>10,002</u>

The rights in relation to the different classes of shares are as follows:

Capital

On return of assets on a liquidation or a winding-up, reduction of capital, or otherwise the assets of the company remaining after payment of such of its liabilities as it is necessary to discharge to effect the distribution ("net proceeds") shall be distributed as follows:

- to the holders of the A Shares, in respect of their A Shares then held, the full amount of the net proceeds up to an amount equal to the B threshold value
- to both the A and the B shareholders, in respect of their A and B shares then held, the balance of the net proceeds up to the amount equal to the D threshold value
- thereafter, the balance of the net proceeds, if any, shall be distributed to each of the holders of the A Shares, the B Shares and the D Shares in proportion to the number of shares held by them respectively.

In the event of a sale, the proceeds of such sale shall be distributed between the selling shareholders in the manner set out above, as if the same constituted a liquidation of the company

Voting in General Meetings

The holders of the A Shares shall be entitled to receive notice of and to attend and vote at the general meetings of the Company. Every holder of A Shares who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy, shall have one vote on a show of hands and on a poll every holder of A Shares so present shall have one vote for each A Share held by him.

The holders of the B Shares and D Shares shall not be entitled to receive notice of, nor to attend or vote at general meetings of the company.

Income

No dividend shall be payable on any Shares in respect of any financial period of the Company unless there are sufficient profits of the company available for distribution.

The A Shares, the B Shares and the D Shares shall be treated as separate classes of Shares for the purposes of all distributions and accordingly the Company or the Board (as the case may be, as required pursuant to the Act) shall not be under any obligations to make any distribution to one class of Shares if it makes a distribution to another class of Shares, nor shall the Company or the Board be under any obligation to pay the same amount by way of dividend on each class of Shares.

Any distribution payable to the holders of the B Shares or D Shares shall not be paid in respect of any unvested Shares.

Merger Reserves

Merger reserves are a direct result of the last group reconstruction of Martinhoe and Tiverton 2. The group reconstruction was accounted for using merger accounting principles since the new shareholders of the Company are the same as the former shareholders and the rights of each shareholder, relative to the others, are unchanged.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

21 Profit and loss reserves

	Group 2016 £	2015 £	Company 2016 £	2015 £
At the beginning of the year	(4,915,701)	(5,813,058)	(583,179)	(368,575)
Profit/(Loss) for the year	1,388,421	897,355	(217,542)	(216,804)
At the end of the year	<u>(3,547,280)</u>	<u>(4,916,701)</u>	<u>(800,721)</u>	<u>(583,179)</u>

22 Operating lease commitments

Lessee

At the reporting end date the group had total outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows.

	Group 2016 £	2015 £	Company 2016 £	2015 £
Within one year	20,625	12,375	-	-
Between one and five years	-	20,625	-	-
	<u>20,625</u>	<u>33,000</u>	<u>-</u>	<u>-</u>

23 Related party transactions

Transactions with related parties

During the year, Martinhoe Holdings Limited group companies entered into transactions and arrangements on normal commercial terms with Tiverton 2 Limited which shared the same ultimate shareholders as Martinhoe Holdings Limited

	Sale of goods		Purchase of goods	
	2016 £	2015 £	2016 £	2015 £
Group				
Martinhoe Holdings Limited	<u>101,083</u>	<u>65,437</u>	<u>5,976,328</u>	<u>9,832,749</u>

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

23 Related party transactions

(Continued)

Company

The company has the following year-end transactions and balances with related parties

	2016 £	2015 £
Amounts falling due within one year from related party undertakings:		
Martinho Holdings Limited	-	62,020
	-	62,020
Amounts due to related party undertakings within one year:		
Martinho Holdings Limited	10,000	1,813,415
Portlock Holdings Limited		750,000
	10,000	2,383,415

No guarantees have been given or received

24 Ultimate controlling party

Tiverton 2 Limited is the ultimate parent company of the Group. JM Thoday is the ultimate controlling party.

25 Cash generated from group operations

	2016 £	2015 £
Operating profit	1,984,587	1,469,407
Adjustments for:		
Amortisation and impairment of intangible assets	570,027	570,027
Depreciation and impairment of tangible fixed assets	29,319	43,284
Movements in working capital:		
(Increase) in debtors	(818,778)	(2,927,317)
(Decrease) in creditors	(1,485,196)	(1,546,782)
Cash generated from/(absorbed by) operations	259,860	(2,400,371)

26 Transition to FRS102

This is the first year that the group has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 30 June 2015. The date of transition to FRS 102 was 1 July 2014.

There were no adjustments to the Group's or Company's balance sheet at 1 July 2014 or 30 June 2015 on transition to FRS102.