

## **ALL3MEDIA Capital Limited**

### **Directors' report and financial statements**

For the period ended 31 August 2007

Registered number 5879286



## **CONTENTS**

Directors' report	2-3
Independent Auditor's report to the members of ALL3MEDIA Capital Limited	4
Profit and loss account	5
Reconciliation of movements in shareholders' deficit	6
Balance sheet	7
Notes to the financial statements	8-16

## **Directors' report**

The directors present their annual report and the audited financial statements for the period ended 31 August 2007 (the "period"). This represented the first period of trading for the company following the acquisition of the ALL3MEDIA group on 28 September 2006. The company was incorporated on 28 June 2006.

### **Principal activity and review of the business**

The principal activity of the company is a holding company of television production companies and artist management companies. The directors do not anticipate any changes in those activities over the coming year.

### **Results and dividends**

The loss for the period, after taxation, amounted to £4,592,974.

The directors do not recommend the payment of a dividend for the period under review.

### **Going concern**

The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued support of the ultimate parent company ALL3MEDIA Holdings Limited. The directors have received confirmation that ALL3MEDIA Holdings Limited intends to support the company for at least one year after these financial statements are signed.

### **Future outlook**

The commercial environment in which the company operates remains competitive, but the directors believe that its relationship with the ALL3MEDIA Holdings Limited group (the "group") will enable it to maintain its current position in the future.

### **Principal risks and uncertainties**

The key business risks and uncertainties affecting the company relate to the general economic environment, competition from other television producers and talent agencies and success of the company's programming. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on page 4 of the group's annual report which does not form part of this report.

### **Key performance indicators ("KPIs")**

The directors of ALL3MEDIA Holdings Limited manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of ALL3MEDIA Capital Limited. The development, performance and position of the ALL3MEDIA Holdings Limited group, which includes the company, is discussed on page 4 of the group's annual report which does not form part of this report.

### **Disclosure of information to auditors**

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

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

## Directors' report (continued)

### Directors and directors' interests

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

S Morrison	(Appointed 28 September 2006)
J Burns	(Appointed 28 September 2006)
J Pfeil	(Appointed 28 September 2006)
R Bell-Jones	(Appointed 25 July 2006)
C Parker	(Appointed 9 November 2006)
D Pudge	(Appointed 28 June 2006, Resigned 25 July 2006)
A Levy	(Appointed 28 June 2006, Resigned 25 July 2006)
I Sellars	(Appointed 25 July 2006, Resigned 28 September 2006)
D Elliott	(Appointed 25 July 2006, Resigned 9 November 2006)

The company maintains liability insurance for its directors and officers

### 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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to

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

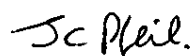
The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the annual general meeting.

By order of the Board



J Pfeil  
Company Secretary  
Date 10/04/08

## **Independent auditors' report to the members of ALL3MEDIA Capital Limited**

We have audited the financial statements of ALL3MEDIA Capital Limited for the period ended 31 August 2007 which comprise the profit and loss account, the reconciliation of movement in shareholders deficit, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

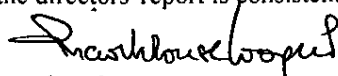
### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 August 2007 and of the company's loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

10 April 2008



## **Profit and loss account**

*for the period to 31 August 2007*

	Note	£
Administrative expenses		(23,205)
<b>Operating loss</b>	2	(23,205)
Other interest receivable and similar income	5	20,797,086
Interest payable and similar charges	6	(20,644,805)
<b>Profit on ordinary activities before taxation</b>		129,076
Taxation	7	(4,722,050)
<b>Loss for the financial period</b>		(4,592,974)

The results for the period arise from the Company's continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

The company has no recognised gains or losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented

The notes on pages 8 to 16 form part of these financial statements

## Reconciliation of movements in shareholders' deficit

*for the period to 31 August 2007*

	£
Loss for the financial period	(4,592,974)
Net proceeds of issue of ordinary share capital	1
	<hr/>
Total movements during the period and shareholders deficit at 31 August 2007	(4,592,973)
	<hr/>

## Balance sheet

At 31 August 2007

	Note	£
<b>Fixed assets</b>		
Fixed asset investments	8	1
<b>Current assets</b>		
Debtors (includes £140,821,086 due after more than one year)	9	155,007,086
Creditors amounts falling due within one year	10	(4,935,605)
<b>Net current assets</b>		150,071,481
<b>Total assets less current liabilities</b>		150,071,482
<b>Creditors: amounts falling due after more than one year</b>	11	(154,664,455)
<b>Net liabilities</b>		(4,592,973)
<b>Capital and reserves</b>		
Called up share capital	13	1
Profit and loss account	14	(4,592,974)
<b>Total shareholders' deficit - equity</b>		(4,592,973)

These financial statements were approved by the Board of directors on 10/04/2008 and were signed on its behalf by



**J Burns**  
 Director

The notes on pages 8 to 16 form part of these financial statements

## Notes to the financial statements

(forming part of the financial statements)

### 1. Accounting policies

The following accounting policies have been applied in dealing with items which are considered material in relation to the company's financial statements

#### *Basis of preparation*

These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below

The financial statements contain information about ALL3MEDIA Capital Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent undertaking, ALL3MEDIA Holdings Limited

#### *Going concern*

These financial statements have been prepared on the going concern basis due to the continued support of the ultimate parent company ALL3MEDIA Holdings Limited. The company has received confirmation that ALL3MEDIA Holdings Limited intends to support the company for at least one year after these financial statements are signed

#### *Cash flow statement*

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the Group. Group financial statements are prepared and publicly available

#### *Fixed asset investments*

Fixed asset investments are stated at cost less any provision for impairment. The carrying values of fixed asset investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

#### *Financial instruments*

The company does not enter into speculative derivative contracts. However derivative financial instruments are used with a view to managing the company's exposure to fluctuations in foreign currency exchange rates

Transactions are recorded at the forward contract rate if a related foreign currency contract has been entered into and the exchange gain or loss on the transactions is charged directly to the profit and loss account

Derivative financial instruments are used to hedge the company's exposure to fluctuations in foreign exchange fluctuation but are not recognised in the financial statements

The company's derivative financial instruments comprise forward exchange contracts. Forward exchange contracts provide certainty of future expenses and income in a foreign currency by fixing the exchange rate rather than waiting for the prevailing exchange rate at the time of the transaction or payment

### **Accounting policies (continued)**

Depending on how the exchange rates move between the time the company enters into the transaction, these derivatives can either be profitable ('in the money') or loss-making in their own right. However, the rationale in entering into these derivatives is not to profit from currency market fluctuations, but to provide stability to the company's cashflows. The movements relating to these derivatives (ie where they are either in profit or loss-making) are taken to the company's profit and loss account for the year.

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. Issue costs together with finance costs are charged to the profit and loss account over the term of the borrowings. Accrued finance costs attributable to borrowings where the maturity at the date of issue is less than 12 months are included within current liabilities. For all other borrowings, accrued finance charges and issue costs are included within creditors due in more than one year.

Debtors are initially stated at fair value. The carrying value of debtors are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

### ***Taxation***

Corporation tax is payable on taxable profits at amounts expected to be paid, or recovered, under the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

A number of changes to the UK Corporation tax system were announced in the March 2007 Budget Statement and have been substantially enacted in the 2007 and 2008 Finance Acts. The changes have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The directors confirm that the effect of the changes to be enacted would not be material to the financial statements.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted
- provision is made for deferred tax that would arise on remittance of retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### ***Translation of foreign currencies***

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

**Notes** *(continued)*

**2. Operating loss**

The audit fee for the period was borne by ALL3MEDIA Limited

**3. Remuneration of directors**

The directors received no remuneration from the company for services during the period

S Morrison, J Burns and J Pfeil are remunerated by ALL3MEDIA Limited, and details are available in the financial statements of that company

**4. Staff numbers and costs**

The average monthly number of persons employed by the company during the period was nil No staff costs were incurred

**5. Other interest receivable and similar income**

	£
Interest received from group companies	20,797,086
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**6. Interest payable and similar charges**

	£
Unsecured subordinated loan notes	20,177,018
Interest payable to ultimate parent company	467,787
	<hr/>
	20,644,805
	<hr/>

**Notes** *(continued)*

**7. Taxation**

**(i) Tax on profit on ordinary activities**

The tax charge is made up as follows

	£
<i>Current tax</i>	
UK corporation tax	4,722,050
<b>Tax on profit on ordinary activities</b>	<u><u>4,722,050</u></u>

**(ii) Factors affecting the tax credit for the current period**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK at 30%  
The differences are reconciled below

	£
<b>Profit on ordinary activities before tax</b>	129,076
	<u>          </u>
Current tax at 30%	38,723
<i>Effects of</i>	
Non-tax deductible expenses	4,683,327
	<u>          </u>
<b>Current tax charge for the period</b>	<u><u>4,722,050</u></u>

**(iii) Factors affecting future tax charges**

The standard rate of corporation tax in the UK changes from 30% to 28% with effect from 1 April 2008. This will affect the future charge

## Notes (continued)

### 8. Fixed asset investments

	Shares in subsidiary companies £
<b>Cost</b>	
Additions	1
	<hr/>
<b>At 31 August 2007</b>	1
	<hr/>

The fixed asset investment addition represents the acquisition of 100% of the share capital of ALL3MEDIA Intermediate Limited for £1 during the year

Details of the principal subsidiary companies in which the company holds 20% or more of the nominal value of any class of share capital are as follows. Shares held by an intermediate holding company are indicated with an asterisk (\*). All investments are unlisted

Name of company	Country of incorporation	Equity holding	Nature of business
ALL3MEDIA Intermediate Limited	England & Wales	100%	Sub-holding company
ALL3MEDIA Finance Limited	England & Wales	*100%	Sub-holding company
ALL3MEDIA Group Limited	England & Wales	*100%	Sub-holding company
ALL3MEDIA Limited	England & Wales	*100%	Sub-holding company
North One Television Limited	England & Wales	*100%	Television production and distribution
ALL3MEDIA International Limited (formerly ALL3MEDIA (Overseas) Limited)	England & Wales	*100%	Distribution
ALL3MEDIA Worldwide Limited (formerly ALL3MEDIA International Limited)	England & Wales	*100%	Distribution
Cactus TV Limited	England & Wales	*100%	Television production and distribution
Bentley Productions Limited	England & Wales	*100%	Television production and distribution
Lion Television Limited	England & Wales	*100%	Television production and distribution
Ravenscourt Services Limited	England & Wales	*100%	Production services company
Company Television Limited	England & Wales	*100%	Television production and distribution
Company Television productions Limited	England & Wales	*100%	Television production and distribution
Company Productions Limited	England & Wales	*100%	Television production and distribution
Company Pictures North Limited	England & Wales	*100%	Television production and distribution
Company Productions (North) Limited	England & Wales	*100%	Television production and distribution
GK Productions Limited	England & Wales	*100%	Television production and distribution
Mersey Acquisitions Limited (formerly Wrap Acquisitions Limited)	England & Wales	*91%	Sub-holding company
Lime Pictures Group Limited (formerly The Mersey Television Group Limited)	England & Wales	*91%	Television production and distribution

The Lime Pictures Holding Company Limited (formerly The Mersey Television Company Limited)	England & Wales	*91%	Television production and distribution
Conker Media Limited	England & Wales	*91%	Television production and distribution
Lime Pictures (Childrens) Limited (formerly Grange Hill Productions Limited)	England & Wales	*91%	Television production and distribution
Lime Pictures Limited (formerly Hollyoaks Productions Limited)	England & Wales	*91%	Television production and distribution
Artists Rights Group Limited	England & Wales	*100%	Talent agency
Tulip Holdings BV	Netherlands	*100%	Sub-holding company
IDTV Media Group BV	Netherlands	*100%	Television production and distribution
De Beeldbrigade BV	Netherlands	*51%	Television production and distribution
South Pacific Pictures Investments Limited	New Zealand	*59.7%	Television production and distribution
South Pacific Pictures Limited	New Zealand	*59.7%	Television production and distribution
South Pacific Pictures Productions Limited	New Zealand	*59.7%	Television production and distribution
Maverick Television Limited	England & Wales	*100%	Television production and distribution
Objective Production Limited	England & Wales	*100%	Television production and distribution
ALL3MEDIA Deutschland GmbH	Germany	*100%	Sub-holding company
MME Moviemment AG	Germany	*82.3%	Sub-holding company
Filmpool Film- und Fernsehproduktion GmbH	Germany	*82.3%	Television production
MME Me Myself & Eye Entertainment GmbH	Germany	*82.3%	Television production
White balance GmbH	Germany	*82.3%	Television production
Lion Television Inc	USA	*100%	Television production and distribution
Wild At Heart (Pty) Limited	South Africa	*50%	Television production and distribution

The directors believe that the carrying value of the investments is supported by their underlying net assets

**Notes** *(continued)*

**9. Debtors**

	£
Amounts receivable from fellow subsidiary undertakings	155,007,086
	<u>                    </u>

Amounts falling due after more than one year included in the above are

	£
Amounts receivable from fellow subsidiary undertakings	140,821,086
	<u>                    </u>

Amounts owed by fellow subsidiary undertakings included above comprise an unsecured non-trading loan of £94,606,362 and rolled up interest of £14,186,000. These are repayable on demand following the settlement of all outstanding loan amounts due under the Interim Loan Agreement with the Royal Bank of Scotland plc dated 31 July 2006, the final amount of which falls due on 31 August 2016. Interest is payable on this loan at rates between 18% and 20% per annum. Also included in the amounts owed by group undertakings included in the Company above are unsecured loan notes of £46,214,724. These are repayable on 28 September 2016. Interest is payable on this loan at a rate of 18% per annum.

**10. Creditors: amounts falling due within one year**

	£
Amounts due to parent company	190,350
Amounts due to group undertakings	13,205
Corporation tax	4,722,050
Accruals and deferred income	10,000
	<u>                    </u>
	4,935,605
	<u>                    </u>

**11. Creditors: amounts falling due after more than one year**

	£
Unsecured subordinated preference certificate (see note 12)	150,667,018
Unsecured loan and loan notes payable to parent company	3,997,437
	<u>                    </u>
	154,664,455
	<u>                    </u>

Amounts owed to parent company included in the above comprise an unsecured non-trading loan of £2,055,562. This is repayable on demand following the settlement of all outstanding loan amounts due under the Interim Loan Agreement with the Royal Bank of Scotland plc dated 31 July 2006, the final amount of which falls due on 31 August 2016. Interest is payable on this loan at a rate of 10% per annum. Also included in the amounts owed to parent company in the above are unsecured loan notes of £1,941,875. These are repayable on 28 September 2016. Interest is payable on this loan at a rate of 18% per annum.

**Notes** *(continued)*

**12. Loans**

	£
In more than five years	150,667,018
<hr/>	
Details of loans not wholly repayable within five years are as follows	
Unsecured subordinated preference certificate Series A repayable 28 September 2016	95,589,996
Unsecured subordinated preference certificate Series B repayable 28 September 2016	44,983,871
Unsecured subordinated preference certificate Acquisitions repayable 15 August 2017	10,093,151
	<hr/>
	150,667,018
	<hr/>

A fixed annual interest rate of 18% is payable on the Series A and B subordinated preference certificates. The interest rate payable on the Acquisitions subordinated preference certificates is a fixed annual interest rate of 20%.

As part of the acquisition arrangements the shares and assets of the company were charged to the Royal Bank of Scotland plc and Bank of Scotland who provided bank finance for the transaction.

**13. Share Capital**

*Authorised*

	£
100 ordinary shares of £1 each	100

*Allotted, called up and fully paid*

	£
1 ordinary shares of £1 each	1

During the period, 1 ordinary share of £1, with an aggregate nominal value of £1, was issued fully paid for £1 as part of the consideration for the purchase of the ALL3MEDIA group.

**14. Reconciliation of shareholders' funds and movement on reserves**

	Share Capital £	Profit and loss account £	Total Share- holders' funds £
Issue of share capital	1	-	1
Retained loss for the period	-	(4,592,974)	(4,592,974)
	<hr/>	<hr/>	<hr/>
At 31 August 2007	1	(4,592,974)	(4,592,973)
	<hr/>	<hr/>	<hr/>

**Notes** *(continued)*

**15. Related party transactions**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company

**16. Ultimate parent company**

The company's immediate and ultimate parent undertaking is ALL3MEDIA Holdings Limited. Copies of its group financial statements, which include the company, are available from Berkshire House, 168-173 High Holborn, London WC1V 7AA

The ultimate controlling party is Permira Holdings Limited, a company which owns Permira Europe III G P Limited, the general partner of Permira Europe III