

**REGISTERED NUMBER: 06433072 (England and Wales)**

**REPORT OF THE DIRECTORS AND  
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010  
FOR  
NOLAVA HOLDINGS LIMITED**

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**NOLAVA HOLDINGS LIMITED (REGISTERED NUMBER: 06433072)**

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FOR THE YEAR ENDED 30 JUNE 2010**

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**NOLAVA HOLDINGS LIMITED**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**DIRECTORS:**

J Thoday  
R Allen-Turner

**SECRETARY:**

R Allen-Turner

**REGISTERED OFFICE:**

4A Exmoor Street  
London  
W10 6BD

**REGISTERED NUMBER:**

06433072 (England and Wales)

**AUDITORS:**

MacIntyre Hudson LLP  
Registered Auditors  
New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V 6BJ

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2010**

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The directors present their report with the financial statements of the company and the group for the year ended 30 June 2010

**PRINCIPAL ACTIVITY**

The principal activities of the group in the period under review were those of television production and the provision of services of performers in the entertainment industry

**REVIEW OF BUSINESS**

The Directors of Nolava Holdings Ltd are pleased to present the consolidated accounts for the group for the year to 30 June 2010. In this period, Group revenues increased by 37% to £39.2m and the Group delivered an operating profit of £1.3m after charging depreciation and amortisation of £1.9m.

The group's success is based on a strategy of developing and maximising the value of strong brands. We do this by working with some of the best creative talent in the entertainment business, nurturing and developing new ideas and properties both on and off-screen, delivering a strong television production slate, retaining rights in our programming, and by operating a highly focused distribution strategy in the secondary 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 further improvements in the Group's performance during the year to 30 June 2011 and beyond.

As at 30 June 2010, the Group had term debt of £4.0m. This is a facility with the Royal Bank of Scotland which was drawn down in June 2010 in order to refinance debt which arose from the restructuring of the Avalon Group in April 2008 and from the purchase of Liberty Bell Productions Ltd (in August 2005), and Topical Television Ltd and Flame Television Production Ltd (both in July 2009). The Group also utilises from time to time an overdraft facility, primarily for working capital purposes. Under the terms of the facilities with RBS, the Group has access to further debt capital. Net debt was zero as at the balance sheet date. The Directors consider that the risks associated with these facilities are low considering the current and projected performance of the Group.

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.

**DIVIDENDS**

No dividends will be distributed for the year ended 30 June 2010.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 July 2009 to the date of this report.

J Thoday  
R Allen-Turner

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the year the group made charitable donations of £Nil (2009: £2,500).

**DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2010**

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group 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 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 and the group's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**AUDITORS**

MacIntyre Hudson LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

**ON BEHALF OF THE BOARD:**

J Thoday - Director

27 December 2010



## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF NOLAVA HOLDINGS LIMITED**

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We have audited the financial statements of Nolava Holdings Limited for the year ended 30 June 2010 on pages five to twenty eight. 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).

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 a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

### **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.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2010 and of the group's profit for the year then ended,
- the group financial statements 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept by the 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.

*MacIntyre Hudson LLP*

John Coverdale BSc ACA (Senior Statutory Auditor)  
for and on behalf of MacIntyre Hudson LLP  
Registered Auditors  
New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V 6BJ

30 December 2010

**NOLAVA HOLDINGS LIMITED (REGISTERED NUMBER: 06433072)**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	2010 £	2009 £
<b>TURNOVER</b>		39,097,563	28,624,476
Continuing operations		34,674,519	28,624,476
Acquisitions		4,423,044	-
		<u>39,097,563</u>	<u>28,624,476</u>
Cost of sales	2	<u>28,084,209</u>	<u>19,686,720</u>
<b>GROSS PROFIT</b>	2	11,013,354	8,937,756
Net operating expenses	2	<u>9,702,099</u>	<u>8,781,578</u>
<b>OPERATING PROFIT</b>	4	1,311,255	156,178
Continuing operations		1,075,802	156,178
Acquisitions		235,453	-
		<u>1,311,255</u>	<u>156,178</u>
Interest receivable and similar income		<u>3,506</u>	<u>14,302</u>
		1,314,761	170,480
Interest payable and similar charges	5	<u>198,350</u>	<u>369,775</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,116,411	(199,295)
Tax on profit/(loss) on ordinary activities	6	<u>889,071</u>	<u>399,827</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<u>227,340</u>	<u>(599,122)</u>

**TOTAL RECOGNISED GAINS AND LOSSES**

The group has no recognised gains or losses other than the profit for the current year and the loss for the previous year

The notes form part of these financial statements

**NOLAVA HOLDINGS LIMITED (REGISTERED NUMBER: 06433072)**

**CONSOLIDATED BALANCE SHEET  
30 JUNE 2010**

	Notes	2010 £	2009 £
<b>FIXED ASSETS</b>			
Intangible assets	8	13,822,982	14,499,726
Tangible assets	9	240,349	143,399
Investments	10	-	-
		<u>14,063,331</u>	<u>14,643,125</u>
<b>CURRENT ASSETS</b>			
Stocks	11	59,533	331,112
Debtors	12	10,259,444	6,131,413
Cash at bank and in hand		7,880,940	6,423,458
		<u>18,199,917</u>	<u>12,885,983</u>
<b>CREDITORS</b>			
Amounts falling due within one year	13	<u>20,451,160</u>	<u>16,155,120</u>
<b>NET CURRENT LIABILITIES</b>		<u>(2,251,243)</u>	<u>(3,269,137)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>11,812,088</u>	<u>11,373,988</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	<u>3,463,000</u>	<u>3,252,490</u>
<b>NET ASSETS</b>		<u><u>8,349,088</u></u>	<u><u>8,121,498</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	10,152	9,902
Share premium	18	8,752,644	8,752,644
Profit and loss account	18	(413,708)	(641,048)
<b>SHAREHOLDERS' FUNDS</b>	20	<u><u>8,349,088</u></u>	<u><u>8,121,498</u></u>

The financial statements were approved by the Board of Directors on 27 December 2010 and were signed on its behalf by

J Thoday Director

The notes form part of these financial statements

**NOLAVA HOLDINGS LIMITED (REGISTERED NUMBER: 06433072)**

**COMPANY BALANCE SHEET  
30 JUNE 2010**

	Notes	2010 £	£	2009 £	£
<b>FIXED ASSETS</b>					
Intangible assets	8		-		-
Tangible assets	9		-		-
Investments	10		12,893,098		12,893,098
			<u>12,893,098</u>		<u>12,893,098</u>
<b>CURRENT ASSETS</b>					
Debtors	12	250		-	
<b>CREDITORS</b>					
Amounts falling due within one year	13	4,598,454		2,447,501	
<b>NET CURRENT LIABILITIES</b>			<u>(4,598,204)</u>		<u>(2,447,501)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			8,294,894		10,445,597
<b>CREDITORS</b>					
Amounts falling due after more than one year	14		-		2,000,000
<b>NET ASSETS</b>			<u>8,294,894</u>		<u>8,445,597</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		10,152		9,902
Share premium	18		8,752,644		8,752,644
Profit and loss account	18		(467,902)		(316,949)
<b>SHAREHOLDERS' FUNDS</b>	20		<u>8,294,894</u>		<u>8,445,597</u>

The financial statements were approved by the Board of Directors on 27 December 2010 and were signed on its behalf by

J Thoday - Director

The notes form part of these financial statements

**NOLAVA HOLDINGS LIMITED (REGISTERED NUMBER: 06433072)**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2010**

	Notes	2010 £	2009 £
<b>Net cash inflow from operating activities</b>	1	5,336,409	6,076,073
<b>Returns on investments and servicing of finance</b>	2	(194,844)	(355,473)
<b>Taxation</b>		(520,360)	(696,782)
<b>Capital expenditure</b>	2	(1,263,688)	(96,504)
		<u>3,357,517</u>	<u>4,927,314</u>
<b>Financing</b>	2	(1,064,990)	(1,830,300)
<b>Increase in cash in the period</b>		<u>2,292,527</u>	<u>3,097,014</u>
<b>Reconciliation of net cash flow to movement in net funds</b>	3		
Increase in cash in the period		2,292,527	3,097,014
Cash outflow from decrease in debt and lease financing		<u>1,064,990</u>	<u>1,830,300</u>
Change in net funds resulting from cash flows		<u>3,357,517</u>	<u>4,927,314</u>
<b>Movement in net funds in the period</b>		<u>3,357,517</u>	<u>4,927,314</u>
<b>Net funds/(debt) at 1 July</b>		<u>125,841</u>	<u>(4,801,473)</u>
<b>Net funds at 30 June</b>		<u>3,483,358</u>	<u>125,841</u>

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2010

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating profit	1,311,255	156,178
Depreciation charges	1,860,982	1,759,882
Profit on disposal of fixed assets	(17,500)	-
Elimination of reserves on acquisition	-	(130,615)
Decrease/(Increase) in stocks	271,579	(118,857)
(Increase)/Decrease in debtors	(4,127,781)	3,705,563
Increase in creditors	6,037,874	703,922
<b>Net cash inflow from operating activities</b>	<b>5,336,409</b>	<b>6,076,073</b>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2010 £	2009 £
<b>Returns on investments and servicing of finance</b>		
Interest received	3,506	14,302
Interest paid	(198,350)	(369,775)
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(194,844)</b>	<b>(355,473)</b>
<b>Capital expenditure</b>		
Purchase of intangible fixed assets	(1,092,930)	-
Purchase of tangible fixed assets	(188,258)	(96,504)
Sale of tangible fixed assets	17,500	-
<b>Net cash outflow for capital expenditure</b>	<b>(1,263,688)</b>	<b>(96,504)</b>
<b>Financing</b>		
New loans in year	-	412,708
Loan repayments in year	(1,064,990)	(2,225,208)
New finance leases	-	(17,800)
<b>Net cash outflow from financing</b>	<b>(1,064,990)</b>	<b>(1,830,300)</b>

The notes form part of these financial statements

**NOLAVA HOLDINGS LIMITED (REGISTERED NUMBER: 06433072)**

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2010**

**3 ANALYSIS OF CHANGES IN NET FUNDS**

	At 1/7/09 £	Cash flow £	At 30/6/10 £
Net cash			
Cash at bank and in hand	6,423,458	1,457,482	7,880,940
Bank overdrafts	(1,232,627)	835,045	(397,582)
	<u>5,190,831</u>	<u>2,292,527</u>	<u>7,483,358</u>
Debt			
Debts falling due within one year	(1,812,500)	812,500	(1,000,000)
Debts falling due after one year	(3,252,490)	252,490	(3,000,000)
	<u>(5,064,990)</u>	<u>1,064,990</u>	<u>(4,000,000)</u>
Total	<u>125,841</u>	<u>3,357,517</u>	<u>3,483,358</u>

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

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1 ACCOUNTING POLICIES

**Accounting convention**

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards

**Basis of consolidation**

The financial statements include the financial statements of the company and its subsidiary undertaking Avalon Entertainment Limited drawn up to 30 June 2010

The results of subsidiaries acquired are consolidated for the period from the date on which control passed. Acquisitions are accounted for under the acquisition method

**Turnover**

Turnover represents amounts receivable for services provided in the normal course of business, net of value added tax

Profit is recognised on long-term contracts if the total 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 recognised on the basis of the proportion of the contract which has been undertaken at the balance sheet date

**Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings represents any excess of fair value of the consideration over the fair value of the identifiable assets and liabilities acquired and is capitalised and written off over its estimated useful economic life of 10 years. Provision is made for any impairment

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

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

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result

**Pension costs and other post-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

**Work in progress**

Where pre-production costs have been incurred prior to the main production process, these costs are carried as work in progress in the balance sheet to the extent that they are expected to be covered by a production contract or recoverable from third parties

**Investments**

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

1 ACCOUNTING POLICIES - continued

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

2 ANALYSIS OF OPERATIONS

	Continuing £	2010 Acquisitions £	Total £
Cost of sales	25,122,635	2,961,574	28,084,209
Gross profit	9,551,884	1,461,470	11,013,354

Net operating expenses

Administrative expenses	8,476,082	1,226,017	9,702,099
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	Continuing £	2009 Acquisitions £	Total £
Cost of sales	19,686,720	-	19,686,720
Gross profit	8,937,756	-	8,937,756

Net operating expenses

Administrative expenses	8,781,578	-	8,781,578
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3 STAFF COSTS

	2010 £	2009 £
Wages and salaries	4,911,609	4,348,734
Social security costs	416,584	323,428
Other pension costs	105,731	55,111
	5,433,924	4,727,273

The average monthly number of employees during the year was as follows

	2010	2009
Directors	2	2
Administration	23	29
Artist management and promotion	34	34
Television production	20	10
	79	75

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

4 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2010	2009
	£	£
Depreciation - owned assets	91,308	104,530
Profit on disposal of fixed assets	(17,500)	-
Goodwill amortisation	1,769,670	1,660,377
Auditors' remuneration	57,308	57,099
Auditors' remuneration for non audit work	36,810	19,173
Foreign exchange differences	91,901	129,126

Directors' remuneration	<u>401,571</u>	<u>367,985</u>
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The number of directors to whom retirement benefits were accruing was as follows

Money purchase schemes	<u>2</u>	<u>2</u>
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Information regarding the highest paid director is as follows

	2010	2009
	£	£
Emoluments etc	<u>251,571</u>	<u>217,985</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2010	2009
	£	£
Bank interest	5,165	21,348
Interest payable to HMRC	2,704	-
Loan interest	190,481	348,427
	<u>198,350</u>	<u>369,775</u>

6 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2010	2009
	£	£
Current tax		
UK corporation tax	943,023	396,914
Over provision of tax in prior year	(53,952)	(427)
Under provision of tax in prior year	-	3,340
	<u>889,071</u>	<u>399,827</u>
Tax on profit/(loss) on ordinary activities	<u>889,071</u>	<u>399,827</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

6 TAXATION - continued

**Factors affecting the tax charge**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2010 £	2009 £
Profit/(loss) on ordinary activities before tax	<u>1,116,411</u>	<u>(199,295)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 - 28%)	312,595	(55,803)
Effects of		
Depreciation in excess of capital allowances	(13,378)	(3,473)
Permanent disallowables	6,499	69,926
Utilisation of trading losses	71,002	(8,292)
Adjustments to tax charge in respect of prior periods	(53,952)	2,913
Consolidation adjustments	474,146	396,480
Taxed at small companies rate	-	(1,924)
Taxed at overseas corporation tax rate	92,159	-
Current tax charge	<u>889,071</u>	<u>399,827</u>

7 LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(150,953) (2009 - £(211,834)).

8 INTANGIBLE FIXED ASSETS

Group	Goodwill £
<b>COST</b>	
At 1 July 2009	16,571,112
Additions	1,092,930
At 30 June 2010	<u>17,664,042</u>
<b>AMORTISATION</b>	
At 1 July 2009	2,071,390
Amortisation for year	1,769,670
At 30 June 2010	<u>3,841,060</u>
<b>NET BOOK VALUE</b>	
At 30 June 2010	<u>13,822,982</u>
At 30 June 2009	<u>14,499,722</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

8 INTANGIBLE FIXED ASSETS - continued

Group

Goodwill is composed of that which arose on the acquisition of Avalon Entertainment Limited. In July 2009, Avalon Television Limited acquired the entire share capital of Topical Television Limited and Flame Television Production Limited. The goodwill arising on these transactions was £1,092,930.

9 TANGIBLE FIXED ASSETS

Group

	Improvements to property £	Plant and machinery £	Fixtures and fittings £
<b>COST</b>			
At 1 July 2009	7,178	-	125,385
Additions	-	22,933	78,581
Disposals	-	-	(47,584)
At 30 June 2010	7,178	22,933	156,382
<b>DEPRECIATION</b>			
At 1 July 2009	7,178	-	47,051
Charge for year	-	6,738	40,134
Eliminated on disposal	-	-	(47,584)
At 30 June 2010	7,178	6,738	39,601
<b>NET BOOK VALUE</b>			
At 30 June 2010	-	16,195	116,781
At 30 June 2009	-	-	78,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

9 TANGIBLE FIXED ASSETS - continued

Group

	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>			
At 1 July 2009	39,901	98,447	270,911
Additions	62,358	24,386	188,258
Disposals	(44,895)	-	(92,479)
At 30 June 2010	57,364	122,833	366,690
<b>DEPRECIATION</b>			
At 1 July 2009	27,308	45,975	127,512
Charge for year	18,522	25,914	91,308
Eliminated on disposal	(44,895)	-	(92,479)
At 30 June 2010	935	71,889	126,341
<b>NET BOOK VALUE</b>			
At 30 June 2010	56,429	50,944	240,349
At 30 June 2009	12,593	52,472	143,399

10 FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
<b>COST</b>	
At 1 July 2009 and 30 June 2010	12,893,098
<b>NET BOOK VALUE</b>	
At 30 June 2010	12,893,098
At 30 June 2009	12,893,098

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

10 **FIXED ASSET INVESTMENTS - continued**

The group or the company's investments at the balance sheet date in the share capital of companies include the following

**Subsidiaries**

**Avalon Television Limited**

Nature of business Television programme production

	% holding	2010 £	2009 £
Class of shares			
Ordinary	100 00		
Aggregate capital and reserves		4,227,846	2,270,200
Profit for the year		<u>1,957,646</u>	<u>560,761</u>

On the 29 June 2007 Avalon Entertainment Limited acquired the entire share capital of Avalon Television Limited

**Avalon Management Group Limited**

Nature of business Provision of services of performers

	% holding	2010 £	2009 £
Class of shares			
Ordinary	100 00		
Aggregate capital and reserves		1,604,511	900,725
Profit for the year		<u>703,786</u>	<u>513,136</u>

On 2 July 2007 Avalon Entertainment Limited acquired the entire share capital of Avalon Management Group Limited

**Avalon Public Relations Limited**

Nature of business Provision of public relations services

	% holding	2010 £	2009 £
Class of shares			
Ordinary	100 00		
Aggregate capital and reserves		565,273	277,685
Profit for the year		<u>287,588</u>	<u>227,589</u>

On 2 July 2007 Avalon Entertainment Limited acquired the entire share capital of Avalon Public Relations Limited

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

10 FIXED ASSET INVESTMENTS - continued

**Avalon Promotions Limited**

Nature of business Provision of services of performers

	% holding		
Class of shares	100 00		
Ordinary		2010	2009
		£	£
Aggregate capital and reserves		377,220	393,380
(Loss)/Profit for the year		(16,160)	189,950

On 2 July 2007 Avalon Entertainment Limited acquired the entire share capital of Avalon Promotions Limited

**Funnyfriend Limited**

Nature of business Provision of services of performers

	% holding		
Class of shares	100 00		
Ordinary		2010	2009
		£	£
Aggregate capital and reserves		44,974	47,532
(Loss)/Profit for the year		(2,558)	43,149

On 2 July 2007 Avalon Entertainment Limited acquired the entire share capital of Funnyfriend Limited

**Avalon Motion Pictures Limited**

Nature of business Motion picture and video production

	% holding		
Class of shares	100 00		
Ordinary		2010	2009
		£	£
Aggregate capital and reserves		(29,825)	(29,825)
Loss for the year		-	(19,358)

On 2 July 2007 Avalon Entertainment Limited acquired the entire share capital of Avalon Motion Pictures Limited

**Liberty Bell Productions Limited**

Nature of business Television programme production

	% holding		
Class of shares	100 00		
Ordinary		2010	2009
		£	£
Aggregate capital and reserves		844,316	611,967
Profit for the year		232,349	176,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

10 FIXED ASSET INVESTMENTS - continued

**Tinderbox Television Limited**

Nature of business Television programme production

	% holding	2010 £	2009 £
Class of shares			
Ordinary	100 00		
Aggregate capital and reserves		(1,070,781)	(1,024,466)
Loss for the year		<u>(46,315)</u>	<u>(233,178)</u>

**Sketch Productions Limited**

Nature of business Television programme production

	% holding	2010 £	2009 £
Class of shares			
Ordinary	100 00		
Aggregate capital and reserves		<u>1</u>	<u>1</u>

The company was dormant throughout the current and previous years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

10 FIXED ASSET INVESTMENTS - continued

**Flame Television Production Limited**

Nature of business Television programme production

Class of shares	% holding	31/12/09 £	31/12/08 £
Ordinary	100 00		
Aggregate capital and reserves		(54,552)	(19,466)
(Loss)/Profit for the year		<u>(35,088)</u>	<u>220,438</u>

On 3 July 2009 Avalon Television Limited acquired the business of Flame Television Production Limited for an initial consideration of £514,590. The balance sheet of Flame Television Production Limited on acquisition was as follows

	Book value at 3 July £	Fair value adjustments £	Fair value at acquisition £
Tangible assets	63,783	-	63,783
Debtors	340,929	-	340,929
Cash at bank and in hand	129,459	-	129,459
Creditors - amount falling due within 1 year	<u>(548,771)</u>	-	<u>(548,771)</u>
Net assets acquired	(14,600)	-	(14,600)
Goodwill			<u>899,316</u>
Consideration			<u>884,716</u>
Satisfied by			
Cash			514,590
Related costs of acquisition			120,126
Deferred consideration			<u>250,000</u>
			<u>884,716</u>

There were no fair value adjustments at acquisition

The deferred consideration is payable upon the achievement of certain minimum targets. This represents the amount that is reasonably expected to be payable.

Initial estimates of the deferred consideration will be revised as further and more certain information becomes available with corresponding adjustments to goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

10 FIXED ASSET INVESTMENTS - continued

**Topical Television Limited**

Nature of business Television programme production

	% holding	2010 £	2009 £
Class of shares	100 00		
Ordinary			
Aggregate capital and reserves		223,045	1,064,452
Profit for the year		158,593	59,917

On 3 July 2009 Avalon Television Limited acquired the business of Topical Television Limited for an initial consideration of £1,000,000. The balance sheet of Topical Television Limited on acquisition was as follows:

	Book value at 3 July £	Fair value adjustments £	Fair value at acquisition £
Tangible assets	20,544	-	20,544
Debtors	260,352	-	260,352
Cash at bank and in hand	1,120,215	-	1,120,215
Creditors - amount falling due within 1 year	(336,659)	-	(336,659)
Net assets acquired	1,064,452	-	1,064,452
Goodwill			193,614
Consideration			1,258,066
Satisfied by			
Cash			1,000,000
Related costs of acquisition			45,066
Deferred consideration			213,000
			1,258,066

There were no fair value adjustments at acquisition.

The deferred consideration is payable upon the achievement of certain minimum targets. This represents the amount that is reasonably expected to be payable.

Initial estimates of the deferred consideration will be revised as further and more certain information becomes available with corresponding adjustments to goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

10 FIXED ASSET INVESTMENTS - continued

**Avalon Distribution Limited**

Nature of business Completed programme and format sales

	% holding	2010 £	2009 £
Class of shares			
Ordinary	100 00		
Aggregate capital and reserves		144,444	100
Profit for the year		144,344	-

As result of a group reorganisation, which took place during the year, completed programme and format sales are now conducted by Avalon Distribution Limited. In prior periods completed programme and format sales were conducted by Avalon Television Limited.

**Avalon Entertainment Limited**

Nature of business Provision of services of performers

	% holding	2010 £	2009 £
Class of shares			
A Ordinary	100 00		
B Ordinary	100 00		
Aggregate capital and reserves		245,232	282,812
Loss for the year		(37,580)	(17,090)

On 4 April 2008 the company acquired the entire share capital of Avalon Entertainment Limited

11 STOCKS

	Group	
	2010 £	2009 £
Work-in-progress	59,533	331,112

12 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Trade debtors	6,368,411	2,662,073	-	-
Amounts recoverable on contract	38,570	-	-	-
Other debtors	1,575,875	849,932	-	-
VAT	-	14,378	-	-
Called up share capital not paid	250	-	250	-
Prepayments and accrued income	2,276,338	2,605,030	-	-
	10,259,444	6,131,413	250	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

12 **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - continued**

Included in other debtors are amounts due from the directors of the company as follows

	2010	2009
	£	£
J Thoday	603,803	439,347
R Allen-Turner	203,530	143,460
R Aslett	6,313	6,938
J Gregory	-	506
G Perkins	-	1,476

13 **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Bank loans and overdrafts (see note 15)	1,397,582	3,045,127	36,825	2,416,001
Trade creditors	1,880,874	4,513,070	-	-
Amounts owed to group undertakings	-	-	4,561,629	31,500
Tax	438,980	70,269	-	-
Social security and other taxes	778,476	646,751	-	-
VAT	297,010	-	-	-
Other creditors	801,167	546,485	-	-
Accruals and deferred income	14,857,071	7,333,418	-	-
	<u>20,451,160</u>	<u>16,155,120</u>	<u>4,598,454</u>	<u>2,447,501</u>

A cross guarantee and debenture exists between the company, its subsidiary company Avalon Entertainment and its subsidiary companies, Avalon Television Limited, Avalon Management Group Limited, Avalon Promotions Limited, Avalon Public Relations Limited, Topical Television Limited, Flame Television Production Limited, Funnyfriend Limited and Liberty Bell Productions Limited, to secure bank overdraft and loan facilities available to these companies

14 **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Bank loans (see note 15)	3,000,000	3,252,490	-	2,000,000
Other creditors	463,000	-	-	-
	<u>3,463,000</u>	<u>3,252,490</u>	<u>-</u>	<u>2,000,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

15 LOANS

An analysis of the maturity of loans is given below

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Amounts falling due within one year or on demand				
Bank overdrafts	397,582	1,232,627	36,825	1,416,001
Bank loans	1,000,000	1,812,500	-	1,000,000
	<u>1,397,582</u>	<u>3,045,127</u>	<u>36,825</u>	<u>2,416,001</u>
Amounts falling due between one and two years				
Bank loans - 1-2 years	1,000,000	1,252,490	-	-
	<u>1,000,000</u>	<u>1,252,490</u>	<u>-</u>	<u>-</u>
Amounts falling due between two and five years				
Bank loans - 2-5 years	2,000,000	2,000,000	-	2,000,000
	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>

In June 2010 a loan of £4,000,000 was obtained by Avalon Entertainment Ltd from Royal Bank of Scotland. The interest payable on this loan is fixed via a swap instrument at 4.43%. This facility was utilised to refinance and pay down other facilities formerly in Nolava Holdings Ltd and Avalon Television Ltd through Barclays Bank. Half of the Barclays loans were accruing interest at a rate of 5.15% plus a margin of 1.75% until 31 March 2010. The other portion of the loan was accruing interest at 1.75% above Barclays Bank's base rate.

16 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

Group	Land and buildings		Other operating leases	
	2010	2009	2010	2009
	£	£	£	£
Expiring				
Within one year	-	85,000	-	994
Between one and five years	-	-	-	7,957
	<u>-</u>	<u>85,000</u>	<u>-</u>	<u>8,951</u>

**NOLAVA HOLDINGS LIMITED (REGISTERED NUMBER: 06433072)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010**

**17 CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid Number	Class	Nominal value	2010 £	2009 £
945,200	A Ordinary shares	£0 01	9,452	9,452
45,000	B Ordinary shares	£0 01	450	450
			<u>9,902</u>	<u>9,902</u>

Allotted and issued Number	Class	Nominal value	2010 £	2009 £
25,000	C Ordinary shares	£0 01	<u>250</u>	<u>-</u>

25,000 C Ordinary Shares shares of £0 01 each were allotted at par during the year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

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17 CALLED UP SHARE CAPITAL - continued

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

- (a) 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 threshold value
- (b) thereafter, the balance of the net proceeds, if any, shall be distributed to each of the holders of the A Shares and the B Shares in proportion to the number of A Shares or B Shares held by them respectively
- (c) C Shares have the same rights as B Shares except at a different threshold value

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 and C 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, B and C 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 obligation 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 and C Shares shall not be paid in respect of any unvested Shares

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

18 RESERVES

Group

	Profit and loss account £	Share premium £	Totals £
At 1 July 2009	(641,048)	8,752,644	8,111,596
Profit for the year	227,340		227,340
At 30 June 2010	<u>(413,708)</u>	<u>8,752,644</u>	<u>8,338,936</u>

Company

	Profit and loss account £	Share premium £	Totals £
At 1 July 2009	(316,949)	8,752,644	8,435,695
Deficit for the year	(150,953)		(150,953)
At 30 June 2010	<u>(467,902)</u>	<u>8,752,644</u>	<u>8,284,742</u>

19 ULTIMATE CONTROLLING PARTY

The controlling party of Nolava Holdings Limited is J Thoday

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2010 £	2009 £
Profit/(Loss) for the financial year	227,340	(599,122)
Share issue	250	-
Net addition/(reduction) to shareholders' funds	227,590	(599,122)
Opening shareholders' funds	8,121,498	8,720,620
Closing shareholders' funds	<u>8,349,088</u>	<u>8,121,498</u>

Company

	2010 £	2009 £
Loss for the financial year	(150,953)	(211,834)
Share issue	250	-
Net reduction of shareholders' funds	(150,703)	(211,834)
Opening shareholders' funds	8,445,597	8,657,431
Closing shareholders' funds	<u>8,294,894</u>	<u>8,445,597</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued  
FOR THE YEAR ENDED 30 JUNE 2010

21 CASH AT BANK AND IN HAND

	2010	2009
	£	£
Amounts held on deposit	5,409,034	6,130,534
Less associated finance lease liabilities	(5,409,034)	(6,130,534)
	<u>                    </u>	<u>                    </u>

Amounts held on deposit in Avalon Television Limited, a subsidiary of Avalon Entertainment Limited, arise as a result of sale and leaseback transactions and comprise monies to provide for the discharge of future leasing liabilities disclosed above

In the two years ended 30th June 2002 the Avalon Television Limited entered into several sale and finance leaseback transactions. It is the opinion of the directors that this type of transaction does not dispose of the risks and rewards of the ownership of the production, and as such the transaction is not recognised as a sale and subsequent leaseback.

The directors have recognised the transaction's fees, and associated costs over the useful life of the production, which the directors estimate to be less than one year. The directors have deposited the proceeds from the sale in a trust account with a bank. This bank account may only be used to pay off the lease payments.