

Tiverton Holdings Ltd 8119354

Company Registration No. 08442815 (England and Wales)

TIVERTON 2 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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TIVERTON 2 LIMITED

COMPANY INFORMATION

Directors	R Allen-Turner R Aslett J Mowll G Perkins J Thoday J Taylor
Company registration number	08442815
Registered office	4a Exmoor Street London W10 6BD
Independent Auditor	Deloitte LLP Statutory Auditor London 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 - 7
Consolidated statement of comprehensive income	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated statement of changes in equity	11
Company statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to the financial statements	14 - 33

TIVERTON 2 LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present the strategic report and audited financial statements for the year ended 30 June 2019.

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 £52,778,179 (2018: £44,827,857) and delivered an operating profit of £4,466,491 (2018: £1,988,627).

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 2020 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 on 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. The risk is also reduced due to significant cash balances.

TIVERTON 2 LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

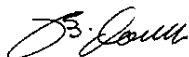
Key performance indicators

The group's performance is managed by revenue type and division. Refer to note 3 for further information.

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 increased by 17.8% to £52.8m (2018: £44.8m) and the gross profit margin has increased to 24.1% (2018: 21.5%). The increase in turnover was driven by the TV sector of the business which has a higher gross profit margin than other revenue streams.

On behalf of the board



.....
J Mowll

Director

Date 20/12/2019

TIVERTON 2 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present their annual report and audited financial statements for the year ended 30 June 2019.

Results and dividends

The results for the year are set out on page 8.

A dividend of £nil (2018: £nil) was declared in the year.

The Directors do not propose the declaration of a final dividend.

Risk

The principal risks are outlined in the strategic report.

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
J Taylor

Future developments

The directors 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

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

TIVERTON 2 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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 Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Post balance sheet events

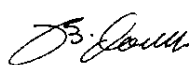
There have been no significant events affecting the group since the year end.

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

Date 20/12/2019

TIVERTON 2 LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TIVERTON 2 LIMITED

Independent auditor's report to the members of Tiverton 2 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Tiverton 2 Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

TIVERTON 2 LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF TIVERTON 2 LIMITED

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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

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

Statutory Auditor
London, United Kingdom

Date 20th December 2019

TIVERTON 2 LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £	2018 £
Turnover	3	52,778,179	44,827,857
Cost of sales		(40,066,368)	(35,180,417)
Gross profit		12,711,811	9,647,440
Administrative expenses		(8,245,320)	(7,658,813)
Operating profit	4	4,466,491	1,988,627
Interest receivable and similar income	8	9,458	23,117
Interest payable and similar expenses	9	(42,103)	(43,353)
Profit before taxation		4,433,846	1,968,391
Tax on profit	10	(983,244)	(543,163)
Profit for the financial year	21	3,450,602	1,425,228
Other comprehensive income		-	-
Total comprehensive income for the year		3,450,602	1,425,228

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

There is no other comprehensive income and therefore the combined statement has been shown on this page.

TIVERTON 2 LIMITED

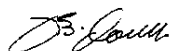
CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	11	-		250,678	
Tangible assets	12	135,404		99,007	
		<u>135,404</u>		<u>349,685</u>	
Current assets					
Debtors	16	33,202,696	16,591,177		
Cash at bank and in hand		10,188,987	5,234,931		
		<u>43,391,683</u>	<u>21,826,108</u>		
Creditors: amounts falling due within one year	17	(43,481,989)	(24,987,712)		
Net current liabilities		(90,306)		(3,161,604)	
Total assets less current liabilities		<u>45,098</u>		<u>(2,811,919)</u>	
Capital and reserves					
Called up share capital	20	10,012		10,002	
Share premium account		6,405		-	
Merger reserves	20	(2,128,523)		(2,128,523)	
Profit and loss account	21	2,157,204		(693,398)	
Total shareholders funds/(deficit)		<u>45,098</u>		<u>(2,811,919)</u>	

The notes on pages 14 to 33 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 20/12/2019 and are signed on its behalf by:



.....
J Mowll
Director

TIVERTON 2 LIMITED

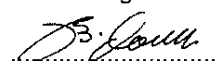
COMPANY BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Investments	13		9,491,602		9,491,602
Current assets					
Debtors	16	7,338,082		7,398,408	
Creditors: amounts falling due within one year	17	(18,435,557)		(18,177,169)	
Net current liabilities			(11,097,475)		(10,778,761)
Total assets less current liabilities			(1,605,873)		(1,287,159)
Capital and reserves					
Called up share capital	20		10,012		10,002
Share premium account			6,405		-
Profit and loss account	21		(1,622,290)		(1,297,161)
Total shareholders deficit			(1,605,873)		(1,287,159)

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the company profit and loss account. The loss for the company for the year was £325,129 (2018: £353,259).

The financial statements were approved by the board of directors and authorised for issue on 20/12/2019. and are signed on its behalf by:



J Mowll

Director

Company Registration No. 08442815

TIVERTON 2 LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Called up share capital £	Share premium account £	Merger reserves £	Profit and loss reserves £	Total £
Balance at 1 July 2017		10,002	-	(2,128,523)	(2,118,626)	(4,237,147)
Year ended 30 June 2018:						
Profit and total comprehensive income for the year		-	-	-	1,425,228	1,425,228
Balance at 30 June 2018		10,002	-	(2,128,523)	(693,398)	(2,811,919)
Year ended 30 June 2019:						
Profit and total comprehensive income for the year		-	-	-	3,450,602	3,450,602
Issue of share capital	20	10	6,405	-	-	6,415
Other Movements		-	-	-	(600,000)	(600,000)
Balance at 30 June 2019	20, 21	10,012	6,405	(2,128,523)	2,157,204	45,098

In the year ended 30 June 2019, Avalon Television Ltd ("ATV"), a 100% subsidiary of Tiverton 2 Ltd, purchased the remaining 25% of Avalon Factual Ltd that it did not previously own for £600,000. This investment was not accounted for using the equity method, and therefore this transaction has been recorded as a debit to equity.

TIVERTON 2 LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Called up share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 July 2017		10,002	-	(943,902)	(933,900)
Year ended 30 June 2018:					
Loss and total comprehensive loss for the year		-	-	(353,259)	(353,259)
Balance at 30 June 2018		10,002	-	(1,297,161)	(1,287,159)
Year ended 30 June 2019:					
Loss and total comprehensive loss for the year		-	-	(325,129)	(325,129)
Issue of share capital	20	10	6,405	-	6,415
Balance at 30 June 2019	20, 21	10,012	6,405	(1,622,290)	(1,605,873)

TIVERTON 2 LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 £	£	2018 £	£
Net cash flows from operating activities					
Cash generated from group operations	25	3,879,099		(4,894,897)	
Taxation paid		(461,311)		(510,140)	
Net cash outflow from operating activities		3,417,788		(5,405,037)	
Cash flow from investing activities					
Purchase of tangible fixed assets		(88,531)		(19,367)	
Proceeds on disposal of tangible fixed assets		4,740		-	
Purchase of shares in subsidiary from non-controlling interest		(600,000)		-	
Interest received		9,458		23,117	
Net cash (used in)/generated from investing activities		(674,333)		3,750	
Cash flow from financing activities					
Repayment of bank loans		-		(1,000,000)	
Interest paid		(42,103)		(43,353)	
Net cash used in financing activities		(42,103)		(1,043,353)	
Net increase/(decrease) in cash and cash equivalents		2,701,352		(6,444,640)	
Cash and cash equivalents at beginning of year		1,608,402		8,053,036	
Cash and cash equivalents at end of year		4,309,754		1,608,402	
Relating to:					
Cash at bank and in hand		10,188,987		5,234,931	
Bank overdrafts included in creditors payable within one year		(5,879,233)		(3,626,529)	

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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 private company limited by shares incorporated 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 included in note 14.

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.

(a) Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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 2019, 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 financial statements of Tiverton 2 Limited, Martinhoe Holdings Limited, 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 2019 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 financial statements 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 renegotiated the borrowing facility with the bank in 2016 to ensure the working capital is available to support productions for the foreseeable future.
- The group is closely linked to the Martinhoe Holdings Limited 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 dependent and linked to ongoing productions, and the UK property is managed on a modular basis allowing reductions in floor space and costs if necessary.
- The group has undrawn borrowing facilities of £4 million as at 30 June 2019 (2018: £4 million).
- The group has a net asset position of £45,098 (liability 2018: £2,811,911)

(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 2019.

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 2019

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; and

(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 pounds 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 delivered.

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 2019

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:

Computer equipment	straight-line over 4 years
Improvements to property	straight-line over 4 years
Production equipment	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.

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 are basic financial assets and 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.

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 balance sheet 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.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

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 2019

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 2019

1 Accounting policies

(Continued)

1.13 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.

3 Turnover and other revenue

Analysis of turnover by category:

	2019 £	2018 £
Turnover		
Creation and exploitation of television content	46,900,950	36,593,244
Tour Promotion	5,877,229	8,234,613
	<u>52,778,179</u>	<u>44,827,857</u>

Analysis of turnover by geographical market:

	2019 £	2018 £
UK	42,638,386	42,490,797
Rest of world	10,139,793	2,337,060
	<u>52,778,179</u>	<u>44,827,857</u>

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after (crediting)/charging:		
Exchange (gains)/losses	(79,554)	70,486
Research and development costs	1,394	12,619
Depreciation of tangible fixed assets	52,134	36,994
Profit on disposal of tangible fixed assets	(4,740)	-
Amortisation of intangible assets	250,678	250,678
Operating lease charges	33,000	33,000
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	50,000	45,000
Audit of the financial statements of related parties	50,000	45,000
	<u> </u>	<u> </u>
For other services	84,200	92,000
	<u> </u>	<u> </u>

Fees for other services are comprised of Tax compliance services £15,350 (2018: £14,175), Tax Advisory services £31,300 (2018: £13,450) and fees for services to related parties £37,550 (2018: £64,375).

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:

	2019 Number	2018 Number
Directors	7	8
Distribution	3	2
Promotion	15	14
Television production	25	19
	<u> </u>	<u> </u>
	50	43
	<u> </u>	<u> </u>

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

6 Employees (Continued)

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	3,765,300	3,035,346
Social security costs	471,523	365,305
Pension costs	97,625	70,706
	<u>4,334,448</u>	<u>3,471,357</u>

The parent company had 0 (2018: 0) employees during the year.

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 and it is not possible to determine the level of this remuneration that relates to Tiverton 2. The total remuneration (inclusive of pension contributions) received by the directors for their role at both Tiverton 2 and Martinhoe was £2,142,221 (2018: £2,576,155).

Compensation to key management

Compensation to key management is as follows

	2019 £	2018 £
Remuneration for qualifying services	1,039,352	1,139,771
Company pension contributions to defined contribution schemes	18,812	27,085
	<u>1,058,164</u>	<u>1,166,856</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 4 (2018: 5).

Key management personnel are employees that have significant influence, such as directors of subsidiaries that are not directors of the group.

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	<u>9,458</u>	<u>23,117</u>

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

9 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	42,103	43,353

10 Taxation

(a) Tax expense included in profit and loss	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current year	837,921	423,299
Adjustments in respect of prior year	142,281	120,901
Total current tax	980,202	544,200
Deferred tax		
Origination and reversal of timing differences	3,042	(1,178)
Changes in tax rates	-	141
Total deferred tax	3,042	(1,037)
Total tax on profit on ordinary activities	983,244	543,163

(b) Reconciliation of tax charge

Tax assessed for the year is higher than the standard rate of corporation tax in the UK for the year ended 30 June 2019 of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before taxation	4,433,846	1,968,391
Expected tax charge based on the standard rate of corporation tax of 19% (2018: 19%)	842,432	373,995
Tax effect of expenses that are not deductible in determining taxable profit	64,876	50,146
Tax effect of income not taxable in determining taxable profit	(13,038)	-
Adjustments in respect of prior years	142,281	120,902
Permanent capital allowances in excess of depreciation	(16,829)	(3,768)
Depreciation on assets not qualifying for tax allowances	1,044	2,590
Other non-reversing timing differences	(37,522)	(702)
Tax charge for the year	983,244	543,163

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

10 Taxation (Continued)

(c) Tax rate changes

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. The Finance Act 2016 will reduce this rate further to 17% from 1 April 2020.

11 Intangible fixed assets

Group	Goodwill Total £
Cost	
At 1 July 2018 and 30 June 2019	5,700,273
Amortisation	
At 1 July 2018	5,449,595
Amortisation charged for the year	250,678
At 30 June 2019	5,700,273
Carrying amount	
At 30 June 2019	-
At 30 June 2018	250,678

The company had no other intangible fixed assets at 30 June 2019 or 30 June 2018.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

12 Tangible fixed assets

Group	Improvements to property £	Production equipment £	Motor Vehicles £	Total £
Cost				
At 1 July 2018	11,794	561,562	29,352	602,708
Additions	-	71,896	16,635	88,531
Disposals	-	(84,444)	-	(84,444)
At 30 June 2019	11,794	549,014	45,987	606,795
Depreciation and impairment				
At 1 July 2018	7,447	477,118	19,136	503,701
Depreciation charged in the year	567	46,596	4,971	52,134
Eliminated in respect of disposals	-	(84,444)	-	(84,444)
At 30 June 2019	8,014	439,270	24,107	471,391
Carrying amount				
At 30 June 2019	3,780	109,744	21,880	135,404
At 30 June 2018	4,347	84,444	10,216	99,007

The company had no tangible fixed assets at 30 June 2019 or 30 June 2018.

13 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
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 2019

14 Subsidiaries

Details of the company's subsidiaries at 30 June 2019 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	TV Production	Ordinary Shares	100.00
Avalon Television Limited* † 02856604	UK	TV Production	Ordinary Shares	100.00
Tinderbox Television Limited* † 05278958	UK	TV Production	Ordinary Shares	100.00
Avalon Distribution Limited* † 06641887	UK	TV Distribution	Ordinary Shares	100.00
Avalon Factual Limited* † 07923558	UK	TV Production	Ordinary Shares	100.00
Flame Television Production Limited* † 03863614	UK	TV Production	Ordinary Shares	100.00
Liberty Bell Productions Limited* † 04454622	UK	TV Production	Ordinary Shares	100.00
Topical Television Limited* † 02657408	UK	TV Production	Ordinary Shares	100.00
Half Inch Recordings Limited* 05021050	UK	Dormant	Ordinary Shares	100.00
JSTO Touring 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) Limited* 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 2019.

The registered office of all of the company's subsidiaries, detailed above, is 4a Exmoor Street, London W10 6BD.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured undiscounted amounts receivable	22,677,999	5,943,391	7,338,082	7,263,585
Equity instruments measured at cost less impairment	-	-	9,491,602	9,491,602
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount of financial liabilities				
Measured at cost	34,155,614	23,999,320	18,435,557	18,177,169
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Financial assets measured at undiscounted amounts comprise of trade debtors, other debtors, amounts owed by related parties, and accrued income.

Financial liabilities measured at cost comprise of trade creditors, other creditors, accruals and amounts owed to related parties.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

16 Debtors

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	3,414,940	2,549,930	-	3,102
Corporation tax recoverable	-	497,315	-	134,823
VAT recoverable	419,851	132,814	-	-
Amounts owed by group undertakings	-	-	4,728,079	4,650,481
Amounts owed by related parties	2,904,443	2,528,221	2,600,000	2,600,000
Withholding Tax	63,526	-	-	-
Other debtors	2,909,939	865,242	10,003	10,002
Prepayments and accrued income	23,475,311	10,014,583	-	-
	<u>33,188,010</u>	<u>16,588,105</u>	<u>7,338,082</u>	<u>7,398,408</u>
Amounts falling due after one year:				
Deferred tax asset (note 18)	<u>14,686</u>	<u>3,072</u>	<u>-</u>	<u>-</u>
Total debtors	<u>33,202,696</u>	<u>16,591,177</u>	<u>7,338,082</u>	<u>7,398,408</u>

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

Included in other debtors are recoupable deficits on TV productions.

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

17 Creditors: amounts falling due within one year

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	5,879,233	3,626,529	3,582,669	3,526,554
Trade creditors	449,512	549,786	-	-
Amounts owed to group undertakings	-	-	14,162,438	14,192,115
Amounts owed to related parties	2,456,435	1,359,496	622,500	400,000
Corporation tax payable	645,720	-	-	-
Other taxation and social security	998,879	987,696	-	-
Other creditors	1,537	363,892	-	-
Accrued Expenses	25,368,897	15,616,931	67,950	58,500
Deferred income	7,681,776	2,483,382	-	-
	<u>43,481,989</u>	<u>24,987,712</u>	<u>18,435,557</u>	<u>18,177,169</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 (2018: £4m) which is to be used for general corporate and working capital purposes which expires in June 2020. As at 30 June 2019 the group had available £0.5m (2018: £0.5m) of undrawn committed borrowing facilities with a floating charge over the groups assets; all conditions precedent had been met.

Amounts owed to group undertakings and participating interest 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.

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:

	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Group				
Decelerated capital allowances	-	(696)	14,687	3,072
	<u>-</u>	<u>(696)</u>	<u>14,687</u>	<u>3,072</u>

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

18 Deferred taxation

(Continued)

	Group	Company	Group	Company
	£	£	£	£
Movements in the year:	Asset		Liability	
Balance at 1 July 2018	3,072	-	(696)	-
Charge to profit or loss	(3,042)	-	-	-
Other	14,657	-	696	-
Balance at 30 June 2019	<u>14,687</u>	<u>-</u>	<u>-</u>	<u>-</u>

19 Retirement benefit schemes

	2019	2018
	£	£
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	<u>97,625</u>	<u>70,706</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 2019

20 Share capital

	Group and company	
	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
945,200 ordinary A shares of 1p each	9,452	9,452
45,000 ordinary B shares of 1p each	450	450
10,000 ordinary D shares of 1p each	100	100
10,103 ordinary E shares of 0.001p each	10	-
	<u>10,012</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 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 up to the amount of the E 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 E Shares in proportion to the number of A Shares, B Shares or E Shares held by them respectively up to the amount of 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, the D Shares and the E Shares in proportion to the number of A Shares, B Shares, D Shares or E Shares held by them respectively.

A D Shareholder or E Shareholder shall not be entitled to receive any sale proceeds in respect of any of his D Shares or E Shares which are Unvested Shares.

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 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 all other 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, D Shares and the E 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 Companies 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 and any distribution shall be treated as separate classes of Shares.

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

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

20 Share capital

(Continued)

Merger Reserves

Merger reserves are a direct result of the last group reconstruction of Martinhoe Limited and Tiverton 2 Limited. 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.

21 Profit and loss reserves

	Group 2019 £	2018 £	Company 2019 £	2018 £
At the beginning of the year	(693,398)	(2,118,626)	(1,297,161)	(943,902)
Profit/(Loss) for the year	3,450,602	1,425,228	(325,129)	(353,259)
Other Movements	(600,000)	-	-	-
At the end of the year	<u>2,157,204</u>	<u>(693,398)</u>	<u>(1,622,290)</u>	<u>(1,297,161)</u>

22 Operating lease commitments

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 2019 £	2018 £	Company 2019 £	2018 £
Within one year	<u>33,000</u>	<u>24,250</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	
	2019 £	2018 £	2019 £	2018 £
Group				
Martinhoe Holdings Limited	<u>3,773,870</u>	<u>237,147</u>	<u>13,416,040</u>	<u>19,514,774</u>

TIVERTON 2 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

23 Related party transactions

(Continued)

Company

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

	2019 £	2018 £
Amounts falling due within one year from related party undertakings:		
Martinhoe Holdings Limited	2,600,000	2,600,000
	<u>2,600,000</u>	<u>2,600,000</u>
Amounts due to related party undertakings within one year:		
Avalon Management Group Limited	(625,000)	(400,000)
	<u>(625,000)</u>	<u>(400,000)</u>

No guarantees have been given or received.

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

24 Ultimate controlling party

Tiverton 2 Limited is the ultimate parent company of the group and the highest level legal entity preparing consolidated financial statements. J Thoday is the ultimate controlling party.

25 Cash generated from group operations

	2019 £	2018 £
Operating Profit	4,466,491	1,988,627
Adjustments for:		
Amortisation and impairment of intangible assets	250,678	250,678
Depreciation and impairment of tangible fixed assets	52,134	36,994
Movements in working capital:		
Increase in debtors	(16,289,550)	(4,340,492)
Increase / (decrease) in creditors	15,399,346	(2,830,704)
Cash generated from/(absorbed by) operations	<u><u>3,879,099</u></u>	<u><u>(4,894,897)</u></u>