

Company Registration No. 08119369 (England and Wales)

MARTINHOE HOLDINGS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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MARTINHOE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	R Allen-Turner R Aslett J Mowll G Perkins J Thoday J Taylor
Company registration number	08119369
Registered office	4a Exmoor Street London W10 6BD
Auditor	Deloitte LLP Statutory Auditor London, United Kingdom EC4A 3BZ
Bankers	The Royal Bank of Scotland Plc 62/63 Threadneedle Street PO Box 412 London, United Kingdom EC2R 8LA

MARTINHOE HOLDINGS LIMITED

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MARTINHOE HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

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

Review of the business

The Martinhoe group (comprised of Martinhoe Holdings Limited and subsidiaries) principally conducts business operations within the United Kingdom and the United States. In the UK the principal business is that of managing comedians, writers, presenters and actors. In the US, the group manages comedians, writers, presenters and actors, and develops and produces television and film projects.

The Martinhoe 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. The consolidated group achieved revenue of £102,426,266 (2017: £100,186,935), and delivered an operating profit of £1,763,485 (2017: £1,168,061). This increased operating profit reported in 2018 is due to a higher gross profit, partially offset by higher administrative expenses.

We are proud to continue working with the talent that we do, and extremely grateful to them and to all of our staff for their hard work.

Principal risks and uncertainties

The principal risk faced by the group is competition from rival talent management companies, retention and development of key talent and staff.

Foreign exchange transactional currency exposure

The group is exposed to currency exchange risk due to a proportion of its receivables and payables being denominated in non-sterling currencies. This exposure is managed in a majority of occasions as payments made out of the group relating to client payments are generally made in the currency received by the group for the related fee income. Balances of US dollars and Euros are maintained generally, reducing further the risk to the group.

The key risk to the group is in the valuation of the US subsidiary, however cash flows between the UK and the US are managed to take advantage of preferable exchange rates where possible.

Credit risk

A large percentage of the group's activity is conducted with established broadcasters and production companies in the UK and US, therefore the group does not have significant exposure to credit defaults.

Liquidity risk

Through Avalon Management Group Limited, the group has access to an overdraft facility, primarily for working capital purposes. The directors consider that the risks associated with this facility are low considering the current and projected performance of the group.

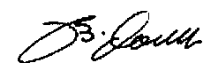
Key performance indicators

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 revenues and gross margins and on a brand and revenue source basis.

In the current year there has been an increase in turnover to £102.4m (2017: £100.2m), an increase of 2.2%. There has been an increase in gross margin to 12.7% (2017: 11.0%) driven by a change in the group's sales mix.

On behalf of the board



.....
J Mowl
Director

27 February 2019

MARTINHOE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

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

Results and dividends

The results for the year are set out on page 7.

The directors do not recommend payment of an ordinary dividend (2017: £nil)

No preference dividends were paid. The directors do not recommend payment of a final dividend.

The principal risks faced by the group 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

T Robinson

(Resigned 1 May 2018)

J Taylor

Future developments

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

Auditor

The auditor, Deloitte LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies 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 Company will continue in business.

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

MARTINHOE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Statement of disclosure to auditor

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

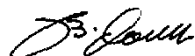
Post reporting date events

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 note 1 of the financial statements.

On behalf of the board



.....
J Mowll

Director

27 February 2019

MARTINHOE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TMARTINHOE HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Martinhoe Holdings 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 2018 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 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;
- the statement of accounting policies; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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.

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.

MARTINHOE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MARTINHOE HOLDINGS LIMITED

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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

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 has/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.

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:

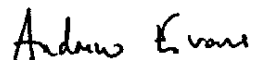
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors'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

MARTINHOE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MARTINHOE HOLDINGS LIMITED

We have nothing to report in respect of these matters.



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

Date...27 February 2019

MARTINHOE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 £	2017 £
Turnover	3	102,426,266	100,186,935
Cost of sales		(89,361,564)	(89,164,935)
Gross profit		13,064,702	11,022,000
Administrative expenses		(11,301,217)	(9,853,939)
Operating profit	4	1,763,485	1,168,061
Interest receivable and similar income	8	594	781
Interest payable and similar expenses	9	(291)	(466)
Profit before taxation		1,763,788	1,168,376
Tax on profit	10	(964,203)	(818,806)
Profit for the financial year	22	799,585	349,570
Other comprehensive income			
Currency translation differences		(4,866)	10,444
Total comprehensive income for the year		794,719	360,014

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

MARTINHOE HOLDINGS LIMITED

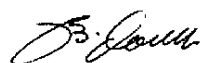
CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Intangible assets	11		491,402		582,887
Tangible assets	12		343,376		353,518
			<u>834,778</u>		<u>936,405</u>
Current assets					
Debtors	16	10,632,269		9,477,370	
Cash at bank and in hand		14,659,488		9,246,184	
		<u>25,291,757</u>		<u>18,723,554</u>	
Creditors: amounts falling due within one year	17	(20,157,426)		(14,356,921)	
Net current assets			<u>5,134,331</u>		<u>4,366,633</u>
Total assets less current liabilities			<u>5,969,109</u>		<u>5,303,038</u>
Creditors: amounts falling due after more than one year	18		(112,028)		(229,845)
Deferred taxation liability			(20,377)		(40,940)
Net assets			<u>5,836,704</u>		<u>5,032,253</u>
Capital and reserves					
Called up share capital	21		10,002		10,002
Share premium account			5,659,998		5,659,998
Merger reserve			(4,309,194)		(4,309,194)
Exchange difference reserve	21		27,414		22,548
Profit and loss account	22		4,448,484		3,648,899
Total equity			<u>5,836,704</u>		<u>5,032,253</u>

The notes on pages 13 to 31 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 27 February 2019 and are signed on its behalf by:



.....
J Mowll
Director

MARTINHOE HOLDINGS LIMITED

COMPANY BALANCE SHEET


AS AT 30 JUNE 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Investments	13		6,894,814		6,894,814
Current assets					
Debtors	16	3,312,750		2,295,194	
Cash at bank and in hand		402,796		139,967	
		<u>3,715,546</u>		<u>2,435,161</u>	
Creditors: amounts falling due within one year	17	<u>(5,345,008)</u>		<u>(3,618,528)</u>	
Net current liabilities			(1,629,462)		(1,183,367)
Total assets less current liabilities			<u>5,265,352</u>		<u>5,711,447</u>
Creditors: amounts falling due after more than one year	18		(112,028)		(226,650)
Net assets			<u>5,153,324</u>		<u>5,484,797</u>
Capital and reserves					
Called up share capital	21		10,002		10,002
Share premium account			5,659,998		5,659,998
Profit and loss account	22		(516,676)		(185,203)
Total equity			<u>5,153,324</u>		<u>5,484,797</u>

The notes on pages 13 to 31 are an integral part of these financial statements.

The Company has elected to take 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 £331,473 (2017: £33,187)

The financial statements were approved by the board of directors and authorised for issue on 27 February 2019 and are signed on its behalf by:



J Mowll
Director

Company Registration No. 08119369

MARTINHOE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Called up share capital £	Share premium account (Page 8) £	Exchange difference reserve (Page 8) £	Merger reserve (Page 8) £	Profit and loss account £	Total £
Balance at 1 July 2016		10,002	5,659,998	12,104	(4,309,194)	3,299,329	4,672,239
Year ended 30 June 2017:							
Profit for the year		-	-	-	-	349,570	349,570
Other comprehensive income movement in the year		-	-	10,444	-	-	10,444
Balance at 30 June 2017		10,002	5,659,998	22,548	(4,309,194)	3,648,899	5,032,253
Year ended 30 June 2018:							
Profit for the year		-	-	-	-	799,585	799,585
Other comprehensive income movement in the year		-	-	4,866	-	-	4,866
Balance at 30 June 2018	21	10,002	5,659,998	27,414	(4,309,194)	4,448,484	5,836,704

MARTINHOE HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Called up share capital £	Share premium account (Page 9) £	Profit and loss account £	Total £
Balance at 1 July 2016		10,002	5,659,998	(152,016)	5,517,984
Year ended 30 June 2017:					
Loss and total comprehensive loss for the year		-	-	(33,187)	(33,187)
Balance at 30 June 2017	21	10,002	5,659,998	(185,203)	5,484,797
Year ended 30 June 2018:					
Loss and total comprehensive loss for the year		-	-	(331,473)	(331,473)
Balance at 30 June 2018	21	10,002	5,659,998	(516,676)	5,153,324

MARTINHOE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018		2017	
		£	£	£	£
Net cash from operating activities					
Cash generated from group operations	26	6,358,277		1,397,347	
Taxation paid		(740,339)		(1,153,976)	
Net cash inflow from operating activities		5,617,938		243,371	
Investing activities					
Purchase of subsidiary undertakings		(128,453)		(140,606)	
Purchase of tangible fixed assets		(172,106)		(301,260)	
Proceeds on disposal of tangible fixed assets		-		23,177	
Interest received		594		781	
Net cash used in investing activities		(299,965)		(417,908)	
Financing activities					
Interest paid		(291)		(466)	
Net cash used in financing activities		(291)		(466)	
Net increase/(decrease) in cash and cash equivalents		5,317,682		(175,003)	
Cash and cash equivalents at beginning of year		9,246,184		(9,412,071)	
Effect of foreign exchange rates		95,614		9,116	
Cash and cash equivalents at end of year		14,659,480		9,246,184	
Relating to:					
Cash at bank and in hand		14,659,488		9,246,184	
Bank overdrafts included in creditors payable within one year		(8)		-	

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

General information

- 1.1 Martinhoe Holdings Limited ("the company") and its subsidiaries (together "the group") are principally engaged in the management of comedians, writers, presenters and actors. In the US the group manages comedians, writers, presenters and actors and develops and produces television and film projects. 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 Martinhoe Holdings Limited and all of its subsidiaries.

1.2 Statement of compliance

These group and individual statements of Martinhoe Holdings Limited have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006.

1.3 Summary of significant accounting policies

(a) Basis of preparation

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

(b) 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 2018.

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.

(c) Exemptions for Qualifying Entities under FRS102

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, include the company's cash flows; and
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29 as the information is provided in the consolidated financial statement disclosures.

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.3 Summary of significant accounting policies (continued)

(d) Going concern

The group's business activities, together with the factors likely to affect its future development and performance are 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 2018, and the group's forecast and projections indicate the group will continue to be profitable throughout the current financial year and beyond.

In reaching their decision to prepare the financial statements on a going concern basis, the directors have considered the impact of the current economic climate on both the company and the group of which it is a member. Having given due consideration to the anticipated future performance of the company, taking into account reasonably possible changes in market conditions, 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:

- In general the group is cash positive, cash generative, profitable and has net current assets.
- The group derives most of its revenues from its talent management business. This does not have a negative effect on cash flow as all payments to clients are only made after funds have been received from the customers. The television production business requires some prefunding of productions, but in the US where this business takes place, we have significant cash reserves available (£7.6m as at 30 June 2018) to ensure funding for the foreseeable future.
- The group is closely linked to the Tiverton 2 Holdings Ltd group with shared directors and shared ultimate control. Where necessary cash can be moved between the groups to maintain necessary levels of working capital within each. In addition Tiverton 2 Holdings Limited has an undrawn borrowings facility of £4.0m.
- The brand names of Avalon and the Artists Rights Group are all considered strong within the industry, representing both leading talent and producing successful television 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 an undrawn facility of £0.5 million.
- The group is currently in a net liability position.

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

(e) 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 turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of the 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.

Talent management turnover and related fees are recognised when the fees are due and work completed.

(f) 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 considered to be 10 years. Provision is made for any impairment.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any 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:

Fixtures, fittings & equipment	Straight-line over 4 years
Computer equipment	Straight-line over 3 years
Motor vehicles	Straight-line over 4 years

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

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

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.6 Fixed asset 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 Section 12 of FRS 102 to all of its 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.

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.

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.

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.10 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.

(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.

1.11 Retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to defined contribution retirement benefit schemes are charged to the profit and loss 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 independently administered funds.

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.12 Leases

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

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.13 Foreign currency

Functional and presentation currency

The group financial statements are presented in pounds sterling. The company's functional and presentation currency is the pounds sterling.

Transactions and balances

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

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

Foreign exchange

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. Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1.14 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.

1.15 Finance costs

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

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

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

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 estimations have been used in the preparation of the group or company financial statements.

3 Turnover and other revenue

Turnover analysed by category:

	2018	2017
	£	£
Turnover		
Television production	43,787,299	48,349,738
Talent management	58,638,967	51,837,197
	<u>102,426,266</u>	<u>100,186,935</u>

Turnover analysed by geographical market:

	2018	2017
	£	£
United Kingdom	34,218,310	31,794,100
United States	68,207,956	68,392,835
	<u>102,426,266</u>	<u>100,186,935</u>

4 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after (crediting)/charging:		
Exchange (losses)/gains	30,264	(4,619)
Depreciation of tangible fixed assets	183,012	152,961
Amortisation of intangible assets	91,486	91,488
Operating lease charges	508,759	366,320
	<u>713,521</u>	<u>606,159</u>

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

5 Auditor's remuneration

	2018	2017
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	45,000	45,000
Audit of the financial statements of related parties	45,000	45,000
For otherservices		
Taxation compliance services	14,175	14,175
Taxation advisory services	50,200	38,500
Taxation services for related parties	27,625	14,175
	92,000	66,850

Fees in related parties relate to services provided to the Tiverton 2 Limited Group, who share the same ultimate shareholders as Martinhoe Holdings Limited (see note 24).

6 Employees

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

	2018	2017
	Number	Number
Directors	9	9
Administration	34	31
Artist Management and promotion	42	41
	85	81

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	9,190,250	7,720,540
Socials ecurity costs	907,757	748,217
Pensionco sts	128,994	127,431
	10,227,001	8,596,188

The parent company had no employees or remuneration expense during the year.

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	2,273,926	2,364,293
Compensation for loss of office	289,064	-
Company pension contributions to defined contribution schemes	13,165	25,221
	<u>2,576,155</u>	<u>2,389,514</u>

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2017: 6).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	525,000	445,450
Company pension contributions to defined contribution schemes	5,000	1,596
	<u>530,000</u>	<u>447,046</u>

Compensation to key management

Compensation to key management (key decision makers who are not Directors of the Group) not disclosed within directors remuneration is as follows:

	2018 £	2017 £
Remuneration for qualifying services	2,064,314	1,967,616
Company pension contributions to defined contribution schemes	8,165	7,500
	<u>2,072,479</u>	<u>1,975,116</u>

8 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	594	781
	<u>594</u>	<u>781</u>

9 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	291	466
	<u>291</u>	<u>466</u>

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

10 Taxation

(a) Tax expense included in the profit and loss

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current year	408,448	193,002
Adjustments in respect of prior years	422,335	9,656
Total UK current tax	<u>830,783</u>	<u>202,658</u>
Foreign current tax on profits for the current year	152,720	582,638
Total current tax	<u>983,503</u>	<u>785,296</u>
Deferred tax		
Origination and reversal of timing differences	(15,498)	33,640
Changes in tax rates	(3,802)	(131)
Total deferred tax	<u>(19,300)</u>	<u>33,509</u>
Tax on profit on ordinary activities	<u>964,203</u>	<u>818,805</u>

(b) Reconciliation of tax charge

Tax assessed for the period is higher (2017: higher) than the standard rate of corporation tax in the UK for the year ended 30 June 2018 of 19.00% (2017: 19.75%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before taxation	<u>1,763,788</u>	<u>1,168,376</u>
Expected tax charge based on the standard rate of corporation tax of 19% (19.75%)	335,156	230,754
Tax effect of expenses that are not deductible in determining taxable profit	57,678	48,004
Adjustments in respect of prior years	422,335	9,656
Other non-reversing timing differences	(15,684)	(38,306)
Other tax adjustments (including foreign tax)	164,718	568,698
Tax charge for the year	<u>964,203</u>	<u>818,806</u>

(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.

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

11 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 July 2017 and 30 June 2018	903,540
Amortisation and impairment	
At 1 July 2017	320,653
Amortisation charged for the year	91,485
At 30 June 2018	412,138
Carrying amount	
At 30 June 2018	491,402
At 30 June 2017	582,887

12 Tangible fixed assets

Group	Leasehold improvements £	Computer equipment £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 July 2017	225,224	397,042	606,021	214,094	1,442,381
Additions	-	52,826	119,280	-	172,106
Exchange adjustments	-	1,472	1,221	-	2,693
At 30 June 2018	225,224	451,340	726,522	214,094	1,617,179
Depreciation and impairment					
At 1 July 2017	225,224	354,412	405,995	103,232	1,088,863
Depreciation charged in the year	-	38,543	112,751	31,718	183,012
Exchange adjustments	-	1,291	638	-	1,929
At 30 June 2018	225,224	394,246	519,384	134,950	1,273,803
Carrying amount					
At 30 June 2018	-	57,094	207,138	79,144	343,376
At 30 June 2017	-	42,630	200,026	110,862	353,518

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

13 Fixed asset investments

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Investments in subsidiaries	14	-	-	6,894,814	6,894,814

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.

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

14 Subsidiaries

Details of the company's subsidiaries at 30 June 2018 are as follows:

Name of undertaking and country of incorporation or residency		Nature of Business	Class of shareholding	% Held
Avalon Management Group Limited (02242641) †	UK	Talent Management	Ordinary Shares	100.00
Malsmead Holdings Limited (08307810) †	UK	Intermediate Holding Company	Ordinary Shares	100.00
Billy Marsh Holdings Limited (02172103) †	UK	Intermediate Holding Company	Ordinary Shares	100.00
Billy Marsh Associates Limited (02168257) * †	UK	Talent Management	Ordinary Shares	100.00
Artist Rights Group Limited (04194789) * †	UK	Talent Management	Ordinary Shares	100.00
Avalon US Holdings Inc. *	US	Talent Management and TV production	Ordinary Shares	100.00
Avalon Management Inc. *	US	Television programme production	Ordinary Shares	100.00
Avalon Television Inc. *	US	Television programme production	Ordinary Shares	100.00
Novel Productions Inc. *	US	Talent Management	Ordinary Shares	100.00
Avalon Management Group NY LLC *	US	Television programme production	Ordinary Shares	100.00
Bacon Bar Productions LLC *	US	Television programme production	Ordinary Shares	100.00
Sketch Productions LLC *	US	Television programme production	Ordinary Shares	100.00
50/50 Productions LLC *	US	Television programme productions	Ordinary Shares	100.00
50/50 Studio Productions LLC *	US	Television programme production	Ordinary Shares	100.00
Pointless Studio Productions Inc. *	US	Television programme productions	Ordinary Shares	100.00
Partially Important Productions LLC *	US	Television programme production	Ordinary Shares	100.00
Workaholics LLC	US	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 2018.

The registered office of all of the company's UK subsidiaries, detailed above, is 4a Exmoor Street, London W10 6BD. The registered office of all of the company's US subsidiaries, detailed above, is 9171 Wilshire Blvd, Suite 320, Beverly Hills, CA 90210, USA

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

15 Financial instruments

	Group 2018 £	2017 £	Company 2018 £	2017 £
Carrying amount of financial assets				
Debt instruments measured at undiscounted cost	8,361,268	7,785,217	2,999,584	1,975,028
Equity instruments measured at cost less impairment	-	-	6,894,814	6,894,814
Carrying amount of financial liabilities				
Measured at undiscounted cost	18,886,826	12,636,765	4,759,610	3,315,363

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

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

16 Debtors

	Group 2018 £	2017 £	Company 2018 £	2017 £
Amounts falling due within one year:				
Trade debtors	732,576	1,179,929	-	-
Corporation tax recoverable	1,362,283	925,068	303,166	303,166
VAT recoverable	905,163	475,109	10,000	17,000
Amounts due from subsidiary undertakings	-	-	2,079,554	1,018,338
Amounts owed by related parties	1,359,315	862,403	-	-
Other debtors	3,608,630	3,477,822	920,030	956,690
Prepayments and accrued income	2,660,747	2,552,220	-	-
	10,628,714	9,472,551	3,312,750	2,295,194
Deferred tax asset (note 19)	3,555	4,819	-	-
	10,632,269	9,477,370	3,312,750	2,295,194

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

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

	Group 2018	2017	Company 2018	2017
J Taylor	920,030	956,692	920,030	956,692
R Aslett	5,588	5,791	-	-
J Thoday	2,266,033	1,897,122	-	-

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

16 Debtors (Continued)

R Allen-Turner	55,508	28,556	-	-
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These amounts are unsecured, interest free, have no fixed repayment date and are repayable on demand. No interest was charged during the year on these amounts. No amounts due from the directors were written off and no amounts were waived.

17 Creditors: amounts falling due within one year

	Group 2018 £	2017 £	Company 2018 £	2017 £
Bank loans and overdrafts	8	-	-	-
Trade creditors	255,386	52,125	-	-
Amounts due to group undertakings	-	-	-	2,141,909
Amounts due to related parties	2,526,051	1,303,444	4,599,999	1,000,000
Corporation tax payable	1,218,567	538,176	585,398	303,166
Other taxation and social security	252,033	393,167	-	-
Other creditors	241,489	238,744	114,611	128,453
Accruals and deferred income	15,663,892	11,831,265	45,000	45,000
	<u>20,157,426</u>	<u>14,356,921</u>	<u>5,345,008</u>	<u>3,618,528</u>

Amounts owed to group undertakings and participating interests are unsecured, interest free, have no fixed repayment date and are repayable on demand. There are no amounts disclosed within note 17 that are secured.

At 30 June 2018 the Group had available £0.5m (2017: £0.5m) of undrawn committed borrowing facilities with a floating charge over the Group's assets; all conditions precedent had been met.

18 Creditors: amounts falling due after more than one year

	Group 2018 £	2017 £	Company 2018 £	2017 £
Deferred consideration	112,028	226,650	112,028	226,650
Other creditors	-	3,195	-	-
	<u>112,028</u>	<u>229,845</u>	<u>112,028</u>	<u>226,650</u>

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

19 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:

Group	Liabilities	Liabilities	Assets	Assets
	2018	2017	2018	2017
	£	£	£	£
Accelerated capital allowances	25,215	43,290	-	-
Other timing differences	(4,839)	(2,350)	3,555	4,819
	<u>20,376</u>	<u>40,940</u>	<u>3,555</u>	<u>4,819</u>

The company has no deferred tax provision at 30 June 2018 (2017: £nil).

Movements in the year:	Group	Company
	2018	2018
	£	£
Liability at 1 July 2017	36,121	-
Charge to profit and loss	(19,300)	-
Liability at 30 June 2018	<u>16,821</u>	<u>-</u>

20 Retirement benefit schemes

Defined contribution schemes	2018	2017
	£	£
Charge to profit and loss in respect of defined contribution schemes	<u>70,108</u>	<u>119,168</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. As at 30 June 2018 £nil was payable by the group to the defined contribution pension provider (2017: £nil).

21 Called up share capital

Ordinary share capital Issued and fully paid	Group and company	
	2018	2017
	£	£
945,200 A Ordinary shares of 1p each	9,452	9,452
45,000 B Ordinary shares of 1p each	450	450
10,000 D Ordinary shares of 1p each	100	100
	<u>10,002</u>	<u>10,002</u>

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

21 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:

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

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

Voting in General Meetings

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

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

Income

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

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

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

Merger reserves

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

Exchange difference reserve

Exchange difference reserves are the cumulative effect of revaluing the US balance sheet at the year end exchange rate.

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

22 Profit and loss account

	Group 2018 £	2017 £	Company 2018 £	2017 £
At the beginning of the year	3,648,899	3,299,329	(185,203)	(152,016)
Profit / (loss) for the year	799,585	349,570	(331,473)	(33,187)
At the end of the year	<u>4,448,484</u>	<u>3,648,899</u>	<u>(516,676)</u>	<u>(185,203)</u>

23 Operating lease commitments

Lessee

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

	Group 2018 £	2017 £	Company 2018 £	2017 £
Within one year	183,427	1,545	-	-
Between two and five years	770,069	10,161	-	-
In over five years	-	1,156,281	-	-
	<u>953,496</u>	<u>1,167,987</u>	<u>-</u>	<u>-</u>

In 2017 the commitment for rented office space in Los Angeles was renewed; this lease will expire in 2023.

24 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	
	2018 £	2017 £	2018 £	2017 £
Group				
Tiverton 2 Limited	<u>19,515,218</u>	<u>6,390,339</u>	<u>237,147</u>	<u>105,217</u>

MARTINHOE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

24 Related party transactions

(Continued)

Company

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

	2018 £	2017 £
Amounts falling due within one year from related party undertakings:		
Tiverton 2 Limited	400,000	-
	<u>400,000</u>	<u>-</u>
Amounts due to related party undertakings within one year:		
Tiverton 2 Limited	(2,600,000)	(1,000,000)
	<u>(2,600,000)</u>	<u>(1,000,000)</u>

Directors' Transactions

Amounts due from the Group's directors are disclosed in Note 16.

25 Ultimate controlling party

Martinhoe Holdings 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.

26 Cash generated from group operations

	2018 £	2017 £
Operating Profit	1,763,485	1,168,061
Adjustments for:		
Amortisation and impairment of intangible assets	91,485	91,488
Depreciation and impairment of tangible fixed assets	183,012	152,961
Movements in working capital:		
(Increase) / decrease in debtors	(883,191)	1,475,287
Increase / (decrease) in creditors	5,203,486	(1,490,450)
Cash generated from operations	<u><u>6,358,277</u></u>	<u><u>1,397,347</u></u>