# Lions Gate International Media Limited

## Report and Financial Statements

30 March 2019

### The Board of Directors
Z J Kamasa
N J Pearcey
C R Perala
W L Reeds

### Company Secretary
Fieldfisher Secretaries Limited
Riverbank House
2 Swan Lane
London EC4R 3TT

### Registered Office
Fifth Floor
45 Mortimer Street
London W1W 8HJ

### Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

### Bankers
JP Morgan Chase
25 Bank Street,
Canary Wharf,
London E14 5JP

### Registered Number
10486810

# Strategic report

The directors present their strategic report for the year to 30 March 2019.

## Review of the business

The principal activity of the company during the year was to acquire film distribution rights and to license distribution and exploitation rights to those films in exchange for a participation from the distribution and exploitation.

Financial performance in each trading period can fluctuate significantly dependent upon the number of new titles being released in each given reporting period and the stage in the life cycle of each individual film title.

Total revenue of $111m (2018: $209m) was generated from intercompany servicing revenue.

Gross profit percentage was 7% (2018: 8%) and overall the company earned a profit before tax of $10m (2018: $17m).

The key financial and other performance indicators during the period were as follows:

| | *Year to 30 March 2019* | *Period to 30 March 2018* |
|---|---|---|
| | *$000* | *$000* |
| Turnover | 111,022 | 209,539 |
| Gross profit | 8,273 | 16,064 |
| Net profit before tax | 9,807 | 17,068 |
| Equity shareholders' funds | 119,231 | 107,223 |

## Key risk factors

The directors and the management team regularly review and monitor financial, operational, commercial, strategic and reputational risks to the company.

The directors have conducted a review to assess whether it is reasonable to prepare the financial statements on a going concern basis.

In making their assessment, the directors have considered a 12 month period from date of approval of the financial statements and have noted the following:

# Strategic report (continued)

## Key risk factors (continued)

The company is expected to continue to trade profitably for the foreseeable future. Based on their assessment, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

The film industry continues to face piracy and counterfeiting. The directors take all necessary steps to protect the value of the intellectual property owned by the company.

The film market remains competitive and each film acquisition is made after diligent assessment by the directors of the scripts, talent and expected available market for that title.

The company is exposed to credit, interest rate and foreign currency risk in the normal course of its business.

***Credit risk***

The exposure to credit risk is continually monitored by management. At the statement of financial position date all receivables were due from fellow group companies which, while representing a concentration of credit risk, is not considered to represent a significant risk due to the strong creditworthiness of the counterparties.

***Interest rate risk***

Effective interest rates on income earning financial assets and liabilities are all linked to bank base rates.

***Foreign currency risk***

The company incurs foreign currency risk on sales and purchases that are denominated in currencies other than dollar.

***Fair values***

The directors consider that there are no material differences between the fair values and carrying values of the company's financial instruments.

On behalf of the board

Z Kamasa
Director
20·12·19

Fifth Floor
45 Mortimer Street
London W1W 8HJ

Registered No. 10486810

# Directors' report

The directors present their report for the year to 30 March 2019.

## Directors

The directors who served the company during the period and subsequently were as follows:

Z J Kamasa
J Gladstone (resigned 13 February 2019)
A Keen (resigned 29 June 2018)
W L Reeds
N J Pearcey (appointed 16 July 2018)
C R Perala (appointed 14 February 2019)

## Results and dividends

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements. The directors do not recommend the payment of a dividend.

## Future opportunities

The directors will seek to exploit opportunities arising from developments in media technology.

## Directors' statement as to disclosure of information to auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditor is unaware; and
- each director has taken all the steps that a director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## Auditor

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

On behalf of the board

Z Kamasa
Director
20·12·19

Fifth Floor
45 Mortimer Street
London W1W 8HJ

# Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report and Directors' Report on pages 2-4, and the company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance; and
- state that the company has complied with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain 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.

# Independent auditor's report

## to the members of Lions Gate International Media Limited

**Opinion**

We have audited the financial statements of Lions Gate International Media Limited for the year ended 30th March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statements of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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 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.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact. We have nothing to report in this regard.

**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 directors' report have been prepared in accordance with applicable legal requirements.

# Independent auditor's report (continued)

**to the members of Lions Gate International Media Limited**

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

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, 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 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 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 https://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.

Ernst & Young LLP

Gordon Cullen (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 20 December 2019

# Statement of comprehensive income

**for the year to 30 March 2019**

| | Notes | *Year to 30 March 2019 $000* | *16 November 2016 to 30 March 2018 $000* |
|---|---|---|---|
| ***Revenue*** | | | |
| Film revenue | 4 | 111,022 | 209,539 |
| Cost of sales | | (102,749) | (193,475) |
| ***Gross profit*** | | 8,273 | 16,064 |
| Administrative expenses | | (315) | (237) |
| ***Operating profit*** | 5 | 7,958 | 15,827 |
| Interest expense | 7 | (104) | (236) |
| Interest income | 7 | 1,953 | 1,477 |
| ***Profit before taxation*** | | 9,807 | 17,068 |
| Tax charge | 8 | (903) | (2,409) |
| ***Profit for the period and comprehensive income*** | | 8,904 | 14,659 |

All amounts relate to continuing activities.

This statement includes all comprehensive profit for the year ended 30 March 2019.

# Statement of financial position

**as at 30 March 2019**

| | Notes | 30 March 2019 $000 | 30 March 2018 $000 |
|---|---|---|---|
| ***Non-current assets*** | | | |
| Trade and other receivables | 9 | 17,107 | 58,552 |
| ***Current assets*** | | | |
| Trade and other receivables | 9 | 9,085 | 31,342 |
| Film costs | 10 | 93,595 | 44,565 |
| Cash at bank and in hand | 11 | 74 | 275 |
| | | 102,754 | 76,182 |
| ***Total assets*** | | 119,861 | 134,734 |
| ***Current liabilities*** | | | |
| Trade and other payables | 12 | 630 | 27,511 |
| | | 630 | 27,511 |
| ***Total liabilities*** | | 630 | 27,511 |
| ***Net assets*** | | 119,231 | 107,223 |
| ***Capital and reserves*** | | | |
| Equity share capital | 13 | 1 | 1 |
| Share premium | | 92,563 | 92,563 |
| Retained earnings | | 26,667 | 14,659 |
| ***Total equity*** | | 119,231 | 107,223 |

Approval by the Board

Z Kamasa
Director
20·12·19

# Statement of changes in equity

**for the year to 30 March 2019**

| | *Issued share capital $000* | *Share premium $000* | *Retained earnings $000* | *Total equity $000* |
|---|---|---|---|---|
| Balance at 18 November 2016 | - | - | - | - |
| Share capital issued | 1 | 92,563 | - | 92,564 |
| Total comprehensive income for the period | - | - | 14,659 | 14,659 |
| Balance at 30 March 2018 | 1 | 92,563 | 14,659 | 107,223 |
| Effect of change of accounting policy for IFRS 15 | - | - | 3,104 | 3,104 |
| Balance at 30 March 2019 as restated | 1 | 92,563 | 17,763 | 110,327 |
| Total comprehensive income for the year | - | - | 8,904 | 8,904 |
| Balance at 30 March 2019 | 1 | 92,563 | 26,667 | 119,231 |

# Cash flow statements

**for the year to 30 March 2019**

| | Note | *2019* *$000* | *2018* *$000* |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| Profit before taxation | | 9,807 | 17,068 |
| Adjustments for: | | | |
| Impact of adoption of IFRS 15 | 3 | 3,104 | - |
| Impairment of film costs | | 4,096 | 5,250 |
| Amortisation of film costs | | 101,957 | 186,600 |
| Net finance income | | (1,849) | (1,242) |
| ***Profit before changes in working capital*** | | 117,115 | 207,676 |
| Decrease/(Increase) in trade and other receivables | 9 | 22,257 | (31,342) |
| (Decrease)/Increase in trade and other payables | 12 | (26,881) | 27,511 |
| ***Net cash flows generated by operating activities*** | | 112,491 | 203,845 |
| ***Cash flows from investing activities*** | | | |
| Purchase of films | | (155,083) | (143,851) |
| Loans repaid by/(advanced to) group undertakings | 9 | 41,445 | (58,552) |
| Interest received | | 1,953 | 1,477 |
| Income Tax Paid | | (903) | (2,409) |
| ***Net cash flows used for investing activities*** | | (112,588) | (203,335) |
| ***Cash flows from financing activities*** | | | |
| Issue of share capital | 13 | - | 1 |
| Interest paid | 7 | (104) | (236) |
| Loan advanced by parent undertaking | 15 | - | 98,800 |
| Loan repayment | 15 | - | (98,800) |
| ***Net cash flow used for financing activities*** | | (104) | (235) |
| ***Net change in cash and cash equivalents*** | | (201) | 275 |
| Cash and cash equivalents at 18 November 2016 | | 275 | - |
| ***Cash and cash equivalents at 30 March 2019*** | 11 | 74 | 275 |

***Major non-cash transactions***

During the previous year the company issued shares for non-cash consideration comprising film rights totalling $92,340,000. Consequently, investing cash flows and financing cash flows do not reflect these amounts.

# Notes to the financial statements

**at 30 March 2019**

## 1. Going concern

The directors have conducted a review to assess whether it is reasonable to prepare the financial statements on a going concern basis.

In making their assessment, the directors have considered a 12-month period from date of approval of the financial statements and have noted the following:

The company is expected to continue to trade profitably for the foreseeable future. Based on their assessment, the directors have concluded that it is appropriate to prepare the financial statements on a going concern basis.

## 2. Authorisation of financial statements

The financial statements for the year ended 30 March 2019 were authorised for issue by the board of directors on 20 December 2019 and the statement of financial position was signed on the board's behalf by Z J Kamasa.

## 3. Accounting policies

***Basis of preparation***

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Company and Company for the year ended 30 March 2019 and in accordance with Companies Act 2006.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 March 2019.

| *International Accounting Standards (IAS/IFRS/IFRIC)* | | *Effective date* |
|---|---|---|
| IFRS 9 | Financial Instruments: Classification and Measurement | 1 January 2018 |
| IFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| IFRS 4 | Applying IFRS 9 | 1 January 2018 |
| IFRIC 22 | Foreign Currency Translations and Advance Consideration | 1 January 2018 |
| IFRS 2 | Classification and Measurement of Share Based Payment Transactions | 1 January 2018 |
| IAS 27 | Equity Method in Separate Financial Statements | 1 January 2018 |
| IAS 40 | Transfers of Investment Property | 1 January 2018 |

None of the newly adopted standards and interpretations have had a material impact on the company's results or position with the exception of IFRS 15.

***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.
The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 30 March 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 30 March 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

# Notes to the financial statements (continued)

**at 30 March 2019**

## 3. Accounting policies (continued)

The effect of adopting IFRS 15 for the year ending 30 March 2019 was as follows:

| Impact on equity (increase/(decrease)) as of 30 March 2019: | | $ 000 |
|---|---|---|
| *Assets* | | |
| Trade and other receivables | (a) | (3,208) |
| Film Costs | | 1,662 |
| *Total assets* | | *(1,546)* |
| Net impact on equity | | *(1,546)* |
| *Retained earnings* | | *(1,546)* |
| **Impact on the statement of profit or loss increase/(decrease)** | | |
| Film Revenue | (a) | (3,208) |
| Costs of Sales | (a) | 1,662 |
| **Net impact on profit for the year** | | **(1,546)** |

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 30 March 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on Statement of Profit and Loss or the Company's operating, investing and financing cash flows.

| Impact on equity (increase/(decrease)) as of 30 March 2018: | | $ 000 |
|---|---|---|
| *Assets* | | |
| Trade and other receivables | (a) | 6,438 |
| Film Costs | | (3,334) |
| *Total assets* | | ***3,104*** |
| Net impact on equity | | *3,104* |
| *Retained earnings* | | ***3,104*** |
| **Impact on the statement of profit or loss (increase/(decrease)** | | |
| Film Revenue | (a) | 6,438 |
| Costs of Sales | (a) | (3,334) |
| **Net impact on profit for the year** | | **3,104** |

**(a)** *Royalties Overages Lag Elimination*

The Company currently receives revenue from LGIUK and certain other group companies. LGIUK and these other entities currently receive revenue from certain domestic and international distributors and other transactional digital distribution partners based on the sales made by these distributors after recoupment of a minimum guarantee, if applicable. Under the current standard, LGIUK and the other group companies record these sales or usage-based royalties after receiving statements from the licensee and/or film distributor. This usually occurs 1-2 months in arrears from when the actual transaction took place.

Under IFRS 15, revenues are to be recorded based on best estimates available of the amounts due to LGIUK and the other group companies in the period of the customer's sales or usage. Accordingly, the timing of the revenue recognition is accelerated. Estimates will be made based on daily and weekly reports or historical market share for smaller distributors would are unable to provide interim reports. As a result of these adjustments, retained earnings and trade and other receivables at 30 March 2019 was impacted by $3,208k.

**(b)** *Functional & Symbolic IP*

IFRS 15 identifies two main categories of IP licences. Functional IP is defined as having significant standalone functionality and derives a substantial portion of its utility (ability to provide benefit) from that standalone functionality. Examples of functional IP include completed media content such as films, television episodes or shows, music. Under the new standard, revenue from functional IP is recognised at a point in time. Symbolic IP does not have significant standalone functionality because substantially all of

# Notes to the financial statements (continued)

**at 30 March 2019**

## 3. Accounting policies (continued)

Basis of preparation (continued)

the utility is derived from its association with the licensors ongoing or past support. Examples of symbolic IP include brands, trade names, and character images. This may include TV Format licenses, location based entertainment, theme parks, video games, merchandise. Under the new standard, revenue from symbolic IP is recognised over time, typically the licence term. There were no open IP contracts at 30 March 2019 and therefore there will be no impact on retained earnings.

*( c)Principal versus agent considerations*

The new standard gives new guidance as to how to determine whether the Company is acting as a principal (the Company has control), in which case revenue would be recognized on a gross basis, or whether the Company is acting as an agent (the Company does not have control), in which case revenues would be recognized on a net basis. The application of such a change on existing distribution arrangements would not significantly impact the presentation of revenues in the consolidated financial statements. Control is defined as the power to direct the use of and obtain substantially all of the remaining benefits from the asset. The new standard identifies the following indicators of control:

1) primarily responsible for fulfilling the promise to provide the good/service

2) has inventory risk before or after the good/service has been transferred to the customer

3) has discretion in establishing the price for the good/service

The Company has assessed all continuing distribution agreements for the above and there was no impact on retained earnings as at 30 March 2019 hence no adjustment has been made.

*(d) Contract Renewals*

Under the prior guidance, when the term of an existing license agreement was extended, without any other changes to the provisions of the license, revenue for the renewal period is recognized when the agreement was renewed or extended. Under IFRS 15, revenue associated with renewals or extensions of existing license agreements is recognised when the license content becomes available under the renewal or extension. This change will delay the recognition of revenue. The Company has assessed all contract renewals for the above and there will be no impact on retained earnings as at 30 March 2019.

*(e) Cross Collateralisation*

Under the new standard Revenue on cross collateralized contracts is currently deferred until reported, the new standard will require fee allocation to titles and recognition upon delivery and availability similar to deals which are not cross collateralized. The Company has assessed all continuing and upcoming agreements and there will be no impact on retained earnings as at 30 March 2019.

*(f) Other adjustments*

The adjustments detailed above will result in corresponding changes to Film costs amortization. These are included in the impact summary below. In addition, on adoption of IFRS 15, other items of the primary financial statements such as corporation tax will be affected and adjusted as necessary. Furthermore, exchange differences on translation of foreign operations would also be adjusted.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Company.

The financial statements are presented in US Dollars ($) and all values are rounded to the nearest thousand dollars except when otherwise indicated.

***Standards issued but not yet effective***

The following standards and interpretations, which have been issued by the IASB, become effective after the current period end and have not been early adopted by the Company:

# Notes to the financial statements (continued)

**at 30 March 2019**

## 3. Accounting policies (continued)

***Basis of preparation (continued)***
***Standards issued but not yet effective (continued)***

| *International Accounting Standards (IAS/IFRS/IFRIC)* | | *Effective date* |
|---|---|---|
| IFRS 9 | Prepayment Features with Negative Compensation | 1 January 2019 |
| IFRS 16 | Leases | 1 January 2019 |
| IFRS 3 | Definition of a business | 1 January 2020 |
| IAS 1 and IAS 8 | Definition of material | 1 January 2020 |
| IFRS 17 | Insurance Contracts | 1 January 2021 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| IAS 28 | Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| IAS 19 | Pension plan amendment, curtailment or settlement | 1 January 2019 |

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the company's financial statements in the period of initial application.

***Judgements and key sources of estimation uncertainty***

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment to the carrying value of assets and liabilities within the next financial period, are discussed below.

***Film rights acquired and film development costs***

The net carrying value of each film title acquired is valued with reference to future cash flow estimates. This value is reviewed for impairment at least annually in accordance with the accounting policy outlined below. In each case, the directors estimate the future cash flows and profitability for the title, with reference to the revenue generated by the film to date and the performance of other similar titles. Any change in expectations of future performance may impact upon the spread of amortisation of minimum guarantees and participation costs across the expected life of the film title.

***Foreign currency translation***

The functional and presentation currency of Lions Gate International Media Limited is US Dollars. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences arising on translation are taken to the statement of comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

***Current/non-current distinction***

Current assets include assets held primarily for trading purposes, cash and cash equivalents and assets expected to be realised in the course of the Company's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes and liabilities expected to be settled in the course of the Company's operating cycle. All other liabilities are classified as non-current liabilities.

# Notes to the financial statements (continued)

**at 30 March 2019**

## 3. Accounting policies (continued)

***Film costs***

*Minimum guarantees/acquisition costs*

Minimum guarantee (advance royalty) payments made to third parties and other costs of acquiring the rights to distribute films are stated in the statement of financial position at the lower of unamortised cost or estimated realisable value using the individual film forecast method.

Under the individual film forecast method, the cost of each film is allocated to the theatrical and various other markets in which the film is to be exhibited based on the proportion that the revenues expected to be earned from each market bear to management's estimate of the total revenues to be earned.

In each accounting period, the film cost is amortised based on the proportion that revenues earned in the accounting period bear to management's estimate of the total revenue to be earned. Such estimates are revised periodically and losses, if any, are provided in full.

*Impairment of assets*

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods.

Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

***Financial assets***

Financial assets are recognised when the Company becomes party to the contracts that give rise to them and are classified as financial assets at amortised cost, fair value through other comprehensive income or fair value through profit and loss based on the Company's business model and the contractual cash flow characteristics of the financial asset. The Company determines the classification of its financial assets at initial recognition and this designation only changes only if the Company's business model changes. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

# Notes to the financial statements (continued)

**at 30 March 2019**

## 3. Accounting policies (continued)

***Receivables from group undertakings***

Receivables from group undertakings are recognised and carried at the lower of the original transaction value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made based on the expected credit losses. Such losses are recognised based on the subsequent twelve months unless the credit worthiness of the asset has decreased significantly since initial recognition, at which point the losses are based on the expected lifetime losses on the instrument.

***Cash and cash equivalents***

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents, net of outstanding bank overdrafts.

***Financial liabilities***

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities consist of amounts due to fellow group undertakings. There are no external loans or borrowings.

***Derecognition of financial assets and liabilities***

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

***Revenue recognition***

Revenue is primarily derived from Lions Gate International (UK) ("LGIUK") based on the terms of the Company's "new content output license agreements" with LGIUK for the license distribution and exploitation rights to the films owned by the Company. The Company receives quarterly participations from LGIUK under the terms of the agreement and records this as revenue stated exclusive of VAT.

Revenue is also derived from Lions Gate Entertainment Inc. ("LGEI"), Lions Gate Films Inc. ("LGFI"), Summit Entertainment, LLC ("SENT") and Lions Gate Television Inc. ("LGTV") as licensees (together, Lionsgate US ("LGUS")) based on the terms of the Company's "Ancillary Rights License Agreements" with LGUS for the license distribution and exploitation rights to the films owned by the Company.

***Financing income***

Financing income comprises interest receivable on funds invested, that are recognised in the statement of comprehensive income.

Interest income is recognised in profit or loss as it accrues.

# Notes to the financial statements (continued)

**at 30 March 2019**

## 3. Accounting policies (continued)

***Taxation***

Tax on the income or loss for the period comprises current and deferred tax. Income tax is charged or credited directly to the statement of comprehensive income.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax is recognised on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the exception of deferred income tax assets which are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

# Notes to the financial statements (continued)

**at 30 March 2019**

## 4. Revenue

| | *2019* | *2018* |
|---|---|---|
| | *$000* | *$000* |
| Intercompany servicing revenue – UK | 107,381 | 209,539 |
| Intercompany servicing revenue - US | 3,641 | - |
| | 111,022 | 209,539 |

The revenue information above is based on the location of the customer. All of the company's revenue are derived from royalties from the distribution of film assets. Such royalties are recognised based on estimates of amounts due from the underlying licensees and/or film distributors. As such, the company's performance obligations are largely passive, as they rely on the underlying activity of such third parties. No contract assets or contract liabilities arise from contracts with customers. Details of receivables arising from contracts with customers are provided in notes 9 and 15. Such amounts are payable on demand.

## 5. Operating profit

This is stated after charging/(crediting):

| | *2019* | *2018* |
|---|---|---|
| | *$000* | *$000* |
| Fees paid to auditors – audit services | 29 | 70 |
| Fees paid to auditors – taxation services | 4 | 14 |
| Amortisation of film costs (included in cost of sales) | 98,623 | 186,600 |
| Impairment of film costs (included in cost of sales) | 4,096 | 5,250 |
| Exchange loss (included in cost of sales) | 30 | 1,626 |
| Exchange gain (included in administrative expenses) | (142) | - |

The audit fee for the company for the period to 30 March 2019 was $29,000 (2018: $70,000).

## 6. Staff costs

The Company had no employees during the period other than its directors, none of whom received any emoluments from the Company. However, one director was paid fees for attendance of board meetings by another group company to a total of $10k (2018: $37k).

The other directors are also employees and directors of fellow group undertakings and their remuneration is borne by those entities. Apart from attendance of board meetings it is not practical to apportion those amounts between their services as director of the Company and their services as director of other fellow subsidiary undertakings and the directors are adjudged to have minimal qualifying services in respect of the company.

# Notes to the financial statements (continued)

**at 30 March 2019**

## 7. Net Finance revenue

| | 2019 $000 | 2018 $000 |
|---|---|---|
| ***Finance costs*** | | |
| Interest payable to other group undertakings | 53 | 236 |
| Other interest payable | 51 | - |
| | 104 | 236 |
| ***Finance revenue*** | | |
| Interest receivable from other group undertakings | 1,953 | 1,477 |

## 8. Taxation

(a) Tax charged in the statement of comprehensive income

| | 2019 $000 | 2018 $000 |
|---|---|---|
| ***Current tax:*** | | |
| UK corporation tax on profit in the period | 1,140 | 2,409 |
| Over provision in prior years | (237) | - |
| Total current tax | 903 | 2,409 |
| ***Deferred tax:*** | | |
| Origination and reversal of temporary differences | - | - |
| Total tax expense reported in the statement of comprehensive income | 903 | 2,409 |

(b) Reconciliation of the total tax charge

The tax charge in the statement of comprehensive income for the period differs from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

| | 2019 $000 | 2018 $000 |
|---|---|---|
| Accounting profit before income tax | 9,807 | 17,068 |
| Accounting profit multiplied by the UK standard rate of corporation tax of 19% | 1,863 | 3,243 |
| Group relief | (1,313) | (834) |
| Impact of adoption of IFRS 15 | 590 | - |
| Over provision in prior years | (237) | - |
| Total tax expense reported in the statement of comprehensive income | 903 | 2,409 |

# Notes to the financial statements (continued)

**at 30 March 2019**

## 8. Taxation (continued)

(c) Factors affecting future tax charge

The Finance (No. 2) Act 2015, enacted on 18 November 2015, included two changes to the future mainstream corporation tax rate. From 1 April 2017 the rate reduced from 20% to 19% and from 1 April 2020 the rate will reduce further to 18%. The effect of these changes on the deferred tax balance is reflected in these financial statements. The Finance Act 2016, enacted on 15 September 2016, included a further rate change. The 18% rate enacted in the Finance (No. 2) Act 2015 will reduce by 1%, so that from 1 April 2020, the mainstream corporation tax rate will become 17%.

## 9. Trade and other receivables

| | *2019* | *2018* |
|---|---|---|
| | *$000* | *$000* |
| **Non-current assets** | | |
| Amounts receivable from ultimate parent undertaking | 13,443 | 55,102 |
| Amounts receivable from immediate parent undertaking | 3,664 | 3,450 |
| | 17,107 | 58,552 |
| **Current assets** | | |
| Amounts receivable from ultimate parent undertaking | 1,737 | 1,342 |
| Amounts receivable from other group undertakings | 7,302 | 30,000 |
| Other debtors | 46 | - |
| | 9,085 | 31,342 |

Non-current amounts receivable from ultimate parent undertaking comprise amounts advanced under a revolving credit facility effective from 1 June 2017. Such amounts accrue interest at LIBOR plus 2.5% and are repayable in full on 1 June 2022. Current amounts receivable from parent undertaking comprise net accrued interest in respect of these loans and outstanding amounts due on the issue of share capital by the Company.

Non-current assets receivable from immediate parent undertaking comprise amounts advanced under a revolving credit facility to Lions Gate International Motion Pictures S.à r.l. ("LGIMP") effective 31 December 2016. The facility accrues interest at LIBOR plus 2.5% and is repayable in full on 30 November 2020.

Current assets receivable from other group undertakings at the comparative balance sheet date comprised amounts advanced to LGIMP. Such amounts did not bear interest and were repayable on demand. At the current balance sheet date such amounts comprise non-interest-bearing amounts due from Lions Gate International UK Limited, Lions Gate Entertainment Inc ("LGEI"), Lions Gate Films Inc ("LGFI"), Summit Entertainment, LLC ("SENT") and Lions Gate Television Inc ("LGTV"). Such amounts are repayable on demand.

The fair value of non-current assets does not differ from their carrying value as they accrue interest at floating rates of interest.

The fair values of amounts receivable from the parent and other group undertakings do not differ from their carrying value due to the short term maturities of such instruments.

Other debtors arise from other tax and social security, so do not represent financial instruments.

# Notes to the financial statements (continued)

**at 30 March 2019**

## 10. Film costs

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Costs to acquire | 391,498 | 236,415 |
| Impairment | (9,346) | (5,250) |
| Accumulated amortisation | (288,557) | (186,600) |
| | 93,595 | 44,565 |

The company assesses annually whether there is an indication that an investment may be impaired.

## 11. Cash

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Cash at bank and in hand | 74 | 275 |

The fair value of cash and cash equivalents does not differ from the carrying value.

The company's bankers, JPMorgan Chase Bank, London Branch; 25 Bank Street; London E14 5JP hold a debenture charge over all assets of the company.

## 12. Trade and other payables

| | 2019 | 2018 |
|---|---|---|
| | $000 | $000 |
| Corporation tax payable | - | 2,409 |
| Amounts payable to fellow group undertakings | 585 | 25,102 |
| Accruals and deferred income | 45 | - |
| | 630 | 27,511 |

Amounts payable to fellow group undertakings comprise amounts outstanding for recharged administrative costs (and, at the comparative balance sheet date, distribution activities). Amounts payable to fellow group undertakings are non-interest bearing, and repayable on demand.

The fair value of trade and other payables does not differ from their carrying value due to the short-term maturities of such instruments.

# Notes to the financial statements (continued)

**at 30 March 2019**

## 13. Authorised and issued share capital and reserves

| | *2019* | *2018* |
|---|---|---|
| | *$000* | *$000* |
| ***Ordinary shares*** | | |
| *Allotted, called up and fully paid* | | |
| 750 ordinary shares at £1 each | 1 | 1 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

***Nature and purpose of reserves***

All other reserves are as stated in the statement of changes in equity.

## 14. Financial instruments and financial risk management objectives and policies

The company is exposed to credit, interest rate and foreign currency risk in the normal course of its business.

***Credit risk***

The exposure to credit risk is continually monitored by management. At the statement of financial position date all receivables were due from the wider group of which the Company is part, which represents a concentration of credit risk.

***Interest rate risk***

Effective interest rates on income earning financial assets and liabilities are all linked to bank base rates. The Company's exposure to interest rate risk is limited primarily to changes in LIBOR driving changes in the intercompany borrowing rates.

***Foreign currency risk***

The company incurs foreign currency risk on purchases that are denominated in currencies other than US dollars. As at 30 March 2019, the Company had no non-dollar denominated receivables or payables.

***Capital Management***

Capital includes ordinary shares attributable to equity holders of the parent. The primary objective of the Company's capital management is to ensure that there is sufficient working capital for the continued growth of the company. The company regularly reviews its cash flow forecast in line with its funding requirements.

No changes were made in the objectives, policies or processes for managing capital during the period.

# Notes to the financial statements (continued)

**at 30 March 2019**

## 14. Financial instruments and financial risk management objectives and policies (continued)

***Fair values***

The directors consider that there are no material differences between the fair values and carrying values of the company's financial instruments.

| | *Total book value* | | *Fair value* | |
|---|---|---|---|---|
| | *2019* | *2018* | *2019* | *2018* |
| | *$000* | *$000* | *$000* | *$000* |
| *Financial assets* | | | | |
| Cash | 74 | 275 | 74 | 275 |
| Trade and other receivables | 26,146 | 89,894 | 26,146 | 89,894 |
| *Financial liabilities* | | | | |
| Trade and other payables | 630 | 25,102 | 630 | 25,102 |

## 15. Related party transactions

The Company advanced amounts to various group undertakings as is more fully described in note 9.

Additionally, during the prior period the Company entered into a revolving credit facility with its parent undertaking as lender effective 31 December 2016. Under that facility the Company borrowed amounts of $98,800,000 which accrued interest at LIBOR plus 2.5% and were repayable on 30 November 2020. All amounts under this facility were repaid during the prior year. Interest of $236,000 was accrued during the prior period and was offset against current receivables due from the parent undertaking in note 7.

During the period the Company acquired rights to film assets totalling $155,083,000 (2018: $236,415,000) from LGIMP, of which $155,083,000 (2018: $144,075,000) was paid in cash, and for the remaining $nil (2018: $92,340,000), the Company issued shares to LGIMP.

The majority of revenues were derived from royalties due from LGIUK (see note 4) as a result of providing film distribution rights to the Company during the period. A net amount of $3,661,000 was due from (2018: $24,871,000 was due to) LGIUK at the balance sheet date.

Revenues of $3,641,000 (2018: $nil) were derived from royalties due from LGEI, LGFI, SENT and LGTV (together "LG US"). Amounts of $3,641,000 (2018: $nil) were due from LG US at the balance sheet date.

Additionally, the Company was charged $346,000 (2018: $231,000 in respect of administration costs incurred on its behalf by Lions Gate Entertainment Inc. (previously named Artisan Pictures Inc). This amount was outstanding in full at the balance sheet date, leading to a total liability to Lions Gate Entertainment Inc. of $577,000 (2018: $231,000).

Additionally, the Company acts as chargor in respect of credit facilities advanced to the Company's parent undertaking (see note 9). No fee is charged in respect of this guarantee.

***Compensation of key management personnel of the company and share based payments***

The amounts disclosed under directors' remuneration in note 6 are the amounts recognised as an expense during the reporting period related to key management personnel.

# Notes to the financial statements (continued)

**at 30 March 2019**

## 16. Ultimate parent undertaking and controlling party

The company is a subsidiary undertaking of Lions Gate International Motion Pictures S.A.R.L (LGIMP), incorporated in Luxembourg and its ultimate parent undertaking and controlling party is Lions Gate Entertainment Corporation, incorporated in Canada ("LGEC").

The largest and smallest group which the results of the company are consolidated is that headed by LGEC. The consolidated financial statements are available to the public and may be obtained from LGEC, 250 Howe Street, 20th Floor, Vancouver, British Columbia, V6C 3R8.