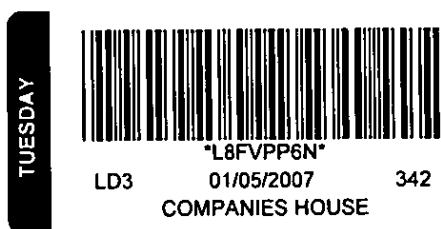


Melrose Film Productions Limited

Report and Financial Statements

For the Year Ended 31 December 2006

(Registered Number 1337265)



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Melrose Film Productions Limited

Director's Report for the Year Ended 31 December 2006

The director presents his report and financial statements of Melrose Film Productions Ltd for the year ended 31 December 2006

Principal activities and review of the business

The Company did not trade during the year and has been classified as dormant in line with Company's Act 1985 section 250/251

Financial results and dividends

The profit for the year after taxation was £Nil (2005 £ Nil)

Directors

The director of the Company who served during the year was as follows

M Addison

The director did not hold any beneficial interest in the share capital of the Company during the year required to be disclosed in accordance with Schedule 7 of Companies Act 1985

The interests of the director in the parent company are shown in the accounts of Video Arts Group Limited

Statement of Directors' Responsibilities

The director is responsible for the preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the director to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the director is required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. He is 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

Melrose Film Productions Limited

Director's Report for the Year Ended 31 December 2006 (continued)

By Order of the Board

A handwritten signature in black ink, appearing to read 'M. Addison', written in a cursive style.

M Addison
Director

27th April 2007

Melrose Film Productions Limited

Balance Sheet as at 31 December 2006

| | Note | 31 December 2006 £'000 | 31 December 2005 £'000 |
|---|------|------------------------------|------------------------------|
| Fixed assets | | | |
| Investments | 2 | - | - |
| Current assets | | | |
| Debtors | 3 | 567 | 567 |
| | | 567 | 567 |
| Creditors Amounts falling due within one year | 4 | (450) | (450) |
| Net current assets | | 117 | 117 |
| Total assets less current liabilities | | 117 | 117 |
| Capital and reserves | | | |
| Called up share capital | 6 | 10 | 10 |
| Profit and loss account | | 107 | 107 |
| Equity shareholders' funds | 7 | 117 | 117 |

For the year ended 31st December, 2006 the company was entitled to exemption under section 249AA(1) of the Companies act 1985

No notice has been deposited with the company under s249B(2) of that Act requiring an audit to be carried out

The director acknowledges his responsibility for

- Ensuring the company keeps accounting records in accordance with s221, Companies Act 1985, and
- Preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of its financial year and of its result for the year then ended in accordance with the requirement of s226, Companies Act 1985, and which otherwise comply with the requirements of the Act so far as they are applicable to the company

Approved by the board and authorised for issue on 27th April 2007


M Addison
Director

The accompanying notes on pages 4 – 6 are an integral part of the financial statements

Melrose Film Productions Limited

1 Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom

The following significant accounting policies of the Company, which have been consistently applied throughout the year and the preceding year have been used in the preparation of these financial statements

a) Basis of accounting

The financial statements have been prepared under the historical cost convention

b) Investments

Investments in subsidiary undertakings are carried at cost less provision for impairment

c) Taxation

Corporation tax payable is provided on taxable profits at the current rate

Deferred taxation is provided using the liability method, to the extent that such taxation is likely to be payable in the foreseeable future

d) Group accounts

The Company has taken advantage of the exemption conferred by FRS 2 not to prepare consolidated financial statements on the grounds that it is a wholly owned subsidiary undertaking of Video Arts Group Limited, a company whose consolidated accounts are available to the public (see note 8)

e) Related party transactions

The Company has taken advantage of the exemption conferred by FRS 8 not to disclose details of transactions with companies in the same group on the grounds that it is a wholly owned subsidiary undertaking of Video Arts Group Limited, a company whose consolidated accounts are available to the public (see note 8)

f) Cash flow statement

The Company has taken advantage of the exemption conferred by FRS 1 (revised) not to present a statement of cash flows on the grounds it is a wholly owned subsidiary undertaking of Video Arts Group Limited, a company whose consolidated accounts are available to the public (see note 8)

g) Profit and Loss Account

No profit and loss account has been presented as the company has been dormant throughout the current and preceding year

Melrose Film Productions Limited

Notes to the Financial Statements for the Year ended 31 December 2006

2 Investments

| | 31 December 2006 £'000 | 31 December 2005 £'000 |
|---|------------------------------|------------------------------|
| Cost and net book value At 31 December 2006 and 31 December 2005 | | - |

2 Debtors

| | 31 December 2006 £'000 | 31 December 2005 £'000 |
|------------------------------------|------------------------------|------------------------------|
| Amounts owed by group undertakings | 567 | 567 |

3 Creditors: Amounts falling due within one year

| | 31 December 2006 £'000 | 31 December 2005 £'000 |
|--------------------|------------------------------|------------------------------|
| Proposed dividends | 450 | 450 |
| | 450 | 450 |

4 Deferred taxation

No liability for deferred taxation has been provided nor is there any unprovided liability for deferred taxation

5 Share capital

| | 31 December 2006 £'000 | 31 December 2005 £'000 |
|--|------------------------------|------------------------------|
| Authorised 20,000 ordinary equity shares of £1 each | 20 | 20 |
| Allotted, called up and fully paid 10,100 ordinary equity shares of £1 each | 10 | 10 |

Melrose Film Productions Limited

Notes to the Financial Statements for the Year ended 31 December 2006

6 Reconciliation of movements in equity shareholders' funds

| | Share Capital £'000 | Profit and Loss Account £'000 | Total £'000 |
|------------------------------|---------------------------|--|----------------|
| At 1 January 2006 | 10 | 107 | 117 |
| Retained profit for the year | - | - | - |
| At 31 December 2006 | 10 | 107 | 117 |

7 Ultimate parent company

The director considers the ultimate parent company at 31 December 2006 to be Video Arts Group Limited, a company incorporated and registered in England and Wales. The registered office of Video Arts Group Limited is 6/7 St Cross Street, London EC1N 8UA. Copies of Video Arts Group Limited's statutory accounts may be obtained from Companies House at Crown Way, Mandy, Cardiff CF4 3UZ.