

**VGI ENTERTAINMENT LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2004**



## **COMPANY INFORMATION**

<b>Directors</b>	V E Gubbay S A Corner C Blackburn
<b>Secretary</b>	M Elijah
<b>Company number</b>	2582911
<b>Registered office</b>	13 Albemarle Street London W1S 4HJ

# VGI ENTERTAINMENT LIMITED

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# VGI ENTERTAINMENT LIMITED

## DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the period ended 31 December 2004.

### Principal activities

The principal activity of the company is that of distribution for the sale of films and television rights and as producers of animation.

### Directors

The following directors have held office since 1 January 2004:

V E Gubbay  
S A Corner  
C Blackburn

### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary 'A' shares of £1 each	
	31 December 2004	31 December 2003
V E Gubbay	-	100
S A Corner	100	-
C Blackburn	-	-

	Ordinary 'B' shares of £1 each	
	31 December 2004	1 January 2004
V E Gubbay	-	-
S A Corner	-	-
C Blackburn	19	19

### Charitable donations

	2004 £	2003 £
During the period the company made the following payments:		
Charitable donations	1,400	5,600

# VGI ENTERTAINMENT LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

### Directors' responsibilities

Company law requires the directors 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 period. In preparing those financial statements, the directors are 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 directors are 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. 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

On behalf of the board



S.A. Corner  
Director

20 December 2005

# VGI ENTERTAINMENT LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2003

		Period Ended 31 December 2004 £	Period Ended 31 December 2003 £
	Notes		
Turnover		1,033,239	1,237,259
Cost of Sales		(609,642)	(438,229)
<b>GROSS PROFIT</b>		423,597	799,030
Administrative expenses		(432,873)	(578,916)
<b>Operating (loss)/profit</b>	<b>2</b>	(9,276)	220,114
Other interest receivable and similar income		12,177	9,341
Amounts written off investments	<b>3</b>	-	(12,000)
Interest payable and similar charges		(15,934)	(88)
<b>(Loss)/Profit on ordinary activities before taxation</b>		(13,099)	217,367
Tax on (loss)/profit on ordinary activities	<b>4</b>	(5,428)	(56,186)
<b>(Loss)/Profit on ordinary activities after taxation</b>		(18,527)	161,181
Dividends		(75,000)	(222,364)
<b>Retained (loss) for the period</b>	<b>12</b>	(93,527)	(61,183)

The notes on pages 8 to 13 form part of these financial statements.

# VGI ENTERTAINMENT LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2003

		2004		2003	
	Notes	£	£	£	£
<b>Fixed Assets</b>					
Intangible Assets	5		49,598		104,068
Tangible Assets	6		374,751		388,075
Investments	7		2		1
			<u>424,351</u>		<u>492,144</u>
<b>Current Assets</b>					
Stocks			-		-
Debtors	8	388,601		441,727	
Cash at Bank and in hand		<u>718,868</u>		<u>122,159</u>	
		1,107,469		563,886	
<b>Creditors: amounts falling due within one year</b>					
	9	<u>(1,470,640)</u>		<u>(901,323)</u>	
Net Current Liabilities			<u>(363,171)</u>		<u>(337,437)</u>
Total Assets less current liabilities			<u>61,180</u>		<u>154,707</u>
<b>Capital and reserves</b>					
Called up share capital	11		157		167
Capital redemption reserve			10		-
Profit and loss account	12		<u>61,013</u>		<u>154,540</u>
Shareholders' Funds			<u>61,180</u>		<u>154,707</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 20 December 2005.

  
S. A. Corner  
Director

The notes on pages 8 to 13 form part of these financial statements.

# VGI ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2004

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

#### 1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Revenue is recognised in the period in which film materials are supplied. Revenue is deferred in all cases where goods are invoiced in advance of supply.

#### 1.3 Licences

Licences are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over the period of the licence or over the value of delivered sales. The carrying value of licences is reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2% on cost
Fixtures, fittings & equipment	20% reducing balance
Motor vehicles	25% reducing balance

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate that the carrying value not be recoverable.

#### 1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

#### 1.7 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.



# VGI ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

<b>2</b>	<b>Operating profit</b>	<b>2004 £</b>	<b>2003 £</b>
	Operating profit is stated after charging:		
	Amortisation of intangible assets	54,472	352,207
	Depreciation of tangible assets	15,824	35,662
	Auditors' remuneration	0	4,000
	Directors' emoluments	19,544	239,606
	The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2003- 1).		
<b>3</b>	<b>Amounts written off investments</b>	<b>2004 £</b>	<b>2003 £</b>
	Amounts written off fixed asset investments:		
	- permanent diminution in value	<u>0</u>	<u>12,000</u>
<b>4</b>	<b>Taxation</b>	<b>2004 £</b>	<b>2003 £</b>
	<b>Domestic current year tax</b>		
	U.K. corporation tax at 30% (2003: 30%)	0	52,000
	Adjustment for prior years	<u>5,428</u>	<u>4,186</u>
	<b>Current tax charge</b>	<u>5,428</u>	<u>56,186</u>
<b>5</b>	<b>Intangible fixed assets</b>		<b>Licences £</b>
	<b>Cost</b>		
	At 1 January 2004		1,221,997
	Disposals		<u>(953,263)</u>
	At 31 December 2004		<u>268,734</u>
	<b>Amortisation</b>		
	At 1 January 2004		1,117,929
	Amortisation on disposals		<u>(953,265)</u>
	Charge for the period		<u>54,472</u>
	At 31 December 2004		<u>219,136</u>
	<b>Net book value</b>		
	At 31 December 2004		<u>49,598</u>
	At 31 December 2003		<u>104,068</u>

# VGI ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

### 6. Tangible Fixed Assets

	Land and buildings £	Plant and Machinery etc £	Total £
<b>Costs</b>			
At 1 January 2004	385,998	185,668	571,666
Additions	-	2,500	2,500
At 31 December 2004	385,998	188,168	574,166
<b>Depreciation</b>			
At 1 January 2004	34,740	148,851	183,591
Charge for the Period	7,720	8,104	15,824
At 31 December 2004	343,538	156,955	199,415
<b>Net book value</b>			
At 31 December 2004	343,538	31,213	374,751
At 31 December 2003	351,258	36,817	388,075

# VGI ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

### 7 Fixed asset investments

	Shares in group undertakings and participating interests
<b>Cost</b>	
At 31 December 2003	12,001
Additions	1
At 31 December 2004	12,002
<b>Provisions for diminution in value</b>	
At 31 December 2003	12,000
Charge for the period	-
At 31 December 2004	12,000
<b>Net book value</b>	
At 31 December 2004	2
At 31 December 2003	1

### Holdings of more than 20 %

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Rag Pack Limited	England & Wales	Ordinary	100
VGI Productions Limited	England & Wales	Ordinary	100
Century 21 Limited	England & Wales	Ordinary	100
Century 22 Limited	England & Wales	Ordinary	100*

\* Shares held through Century 22 Limited

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves 2004	Profit for the year 2004
	£	£
Rag Pack Limited	(62,583)	(20,109)
VGI Productions Limited	2	-
Century 21 Limited	(55,546)	-
Century 22 Limited	10,051	-

# VGI ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

8 Debtors	2004 £	2003 £
Trade debtors	204,488	67,419
Amounts owed by group undertakings and undertakings in which the company has a participating interest	171,660	62,474
Other debtors	<u>12,453</u>	<u>311,834</u>
	<u>388,601</u>	<u>441,727</u>

9 Creditors: amounts falling due within one year	2004 £	2003 £
Bank loans and overdrafts	350,000	17,632
Trade creditors	934,442	755,430
Taxation and social security	129,678	61,593
Other creditors	<u>56,520</u>	<u>66,668</u>
	<u>1,470,640</u>	<u>901,323</u>

Bank borrowings are secured on the company's freehold property.

### 10 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £3,222 (2003: £4,833).

11 Share Capital	2004 £	2003 £
<b>Authorised</b>		
9,000 Ordinary 'A' shares of £1 each	9,000	9,000
10,000 Ordinary 'B' shares of £1 each	<u>1,000</u>	<u>1,000</u>
	<u>10,000</u>	<u>10,000</u>
<b>Allotted, called up and fully paid</b>		
100 Ordinary 'A' shares of £1 each	100	100
67 Ordinary 'B' shares £1 each	<u>67</u>	<u>67</u>
	<u>167</u>	<u>167</u>

The Ordinary 'B' shares have no voting, capital or income rights.

# VGI ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2004

### 12 Statement of movements on profit and loss account

	Profit and Loss Account £
Balance at 31 December 2003	154,540
Retained loss for the period	(93,527)
Balance at 31 December 2004	<u>61,013</u>

### 13 Transactions with directors

	Amount Outstanding		Maximum
	2004	2003	In period
	£	£	£
Ms V E Gubbay	4,802	261,760	275,162

Included in other debtors is an amount of £4,802 (2003: £261,760) due from V Gubbay. There are no terms as to interest or repayment in respect of this balance. The loan was repaid after the year end.

### 14 Control

At the balance sheet date the ultimate controlling party is S A Corner.