

VGI ENTERTAINMENT LIMITED

UNAUDITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

TUESDAY



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COMPANY INFORMATION

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

VGI ENTERTAINMENT LIMITED

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VGI ENTERTAINMENT LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2006

The directors present their report and financial statements for the period ended 31 December 2006

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

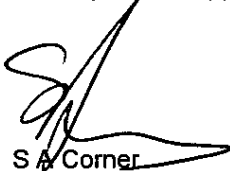
Directors

The following directors have held office since 1 January 2006

V E Gubbay
S A Corner
C Blackburn

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

This report was approved by the board on 28 September 2007 and signed on its behalf



S A Corner
Director
28 September 2007

VGI ENTERTAINMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Period Ended 31 December 2006 £	Period Ended 31 December 2005 £
Turnover		483,352	599,029
Cost of Sales		<u>(261,870)</u>	<u>(244,278)</u>
GROSS PROFIT		221,482	354,751
Administrative expenses		<u>(193,937)</u>	<u>(316,722)</u>
Operating profit	2	27,545	38,029
Other interest receivable and similar income		6,272	5,010
Interest payable and similar charges		<u>(19,549)</u>	<u>(21,351)</u>
Profit on ordinary activities before taxation		14,268	21,688
Tax on profit on ordinary activities	3	<u>(4,551)</u>	<u>(5,632)</u>
Profit on ordinary activities after taxation		<u>9,717</u>	<u>16,056</u>

The notes on pages 7 to 12 form part of these financial statements

VGI ENTERTAINMENT LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

		2006		2005	
	Notes	£	£	£	£
Fixed Assets					
Intangible Assets	4		22,176		28,997
Tangible Assets	5		353,216		358,901
Investments	6		2		2
			<u>375,394</u>		<u>387,900</u>
Current Assets					
Debtors	7	564,949		559,675	
Cash at Bank and in hand		<u>76,284</u>		<u>875</u>	
		641,233		560,550	
Creditors' amounts falling due within one year	8	<u>(1,012,674)</u>		<u>(921,214)</u>	
Net Current Liabilities			<u>(371,441)</u>		<u>(360,664)</u>
Total Assets less current liabilities			<u>3,953</u>		<u>27,236</u>
Capital and reserves					
Called up share capital	10		157		157
Capital redemption reserve			10		10
Profit and loss account	11		<u>3,786</u>		<u>27,069</u>
Shareholders' Funds	12		<u>3,953</u>		<u>27,236</u>

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 249A(1) of the Companies Act 1985 and members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 249B(2) of the Act. The directors acknowledge their responsibility for ensuring that the company keeps accounting records which comply with section 221 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 31 December 2006 and of its profit for the year then ended in accordance with the requirements of section 226 of the Act and which otherwise comply with the requirements of the Companies Act 1985 relating to the financial statements so far as applicable to the company.

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 January 2007).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf



S.A. Corner
Director
28 September 2007

The notes on pages 7 to 12 form part of these financial statements

VGI ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2006

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 January 2007)

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 is 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.

1.8 Cash flow

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective January 2007).

VGI ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2006

2	Operating profit	2006 £	2005 £
	Operating profit is stated after charging		
	Amortisation of intangible assets	6,821	20,601
	Depreciation of tangible assets	13,999	13,893
	Directors' emoluments	6,924	0

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2005 - 1)

3	Taxation	2006 £	2005 £
	Domestic current year tax		
	U K corporation tax at 19% (2005 19%)	3,885	5,632
	Adjustment for prior years	<u>666</u>	<u>-</u>
	Current tax charge	<u>4,551</u>	<u>5,632</u>

There are differences amounting to approximately £6,100 between the accounting treatment and the tax treatment for a number of items in the accounts. This has the effect of increasing the tax charge by £1,100.

There were no factors that may affect future tax charges.

4	Intangible fixed assets	Licences £
	Cost	
	At 1 January 2006	102,826
	Licences expired during the year	<u>(41,427)</u>
	At 31 December 2006	<u>61,399</u>
	Amortisation	
	At 1 January 2006	73,829
	Licences expired during the year	<u>(41,427)</u>
	Charge for the period	<u>6,821</u>
	At 31 December 2006	<u>39,223</u>
	Net book value	
	At 31 December 2006	<u>22,176</u>
	At 31 December 2005	<u>28,997</u>

VGI ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2006

5 Tangible Fixed Assets

	Land and buildings £	Plant and Machinery etc £	Total £
Costs			
At 1 January 2006	385,998	177,426	563,424
Additions	-	8,314	8,314
At 31 December 2006	385,998	185,740	571,738
Depreciation			
At 1 January 2006	50,180	154,343	204,523
Charge for the Period	7,720	6,279	13,999
At 31 December 2006	57,900	160,622	218,522
Net book value			
At 31 December 2006	328,098	25,118	353,216
At 31 December 2005	335,818	23,083	358,901

VGI ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2006

6 Fixed asset investments

Shares in group
undertakings
and
participating
interests

Cost

At 31 December 2005 and 2006

12,002

Provisions for diminution in value

At 31 December 2005 and 2006

12,000

Net book value

At 31 December 2006

2

At 31 December 2005

2

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	Shares held	
		Class	%
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 2006	Profit for the year 2006
	£	£
Rag Pack Limited	(62,598)	-
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 2006

7 Debtors	2006 £	2005 £
Trade debtors	381,513	375,936
Amounts owed by group undertakings and undertakings in which the company has a participating interest	175,740	175,740
Other debtors	<u>7,696</u>	<u>7,999</u>
	<u>564,949</u>	<u>559,675</u>

8 Creditors amounts falling due within one year	2006 £	2005 £
Bank loans and overdrafts	306,250	331,250
Trade creditors	652,073	483,023
Taxation and social security	7,387	4,720
Other creditors	<u>46,964</u>	<u>102,221</u>
	<u>1,012,674</u>	<u>921,214</u>

Bank borrowings are secured on the company's freehold property

9 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 £0 (2005 £268)

10 Share Capital	2006 £	2005 £
Authorised		
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>
Allotted, called up and fully paid		
100 Ordinary 'A' shares of £1 each	100	100
57 Ordinary 'B' shares £1 each	<u>57</u>	<u>57</u>
	<u>157</u>	<u>157</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 2006

11 Reserves

	Profit and Loss Account £
Balance at 31 December 2005	27,069
Profit retained for the year	9,717
Dividends – Equity Capital	(6,000)
Dividends – Non Equity Capital	(27,000)
31 December 2006	<u>3,786</u>

12 Reconciliation of movement in Shareholders Funds

	2006 £	2005 £
Opening Shareholders Funds	27,236	61,180
Profit retained for the year	9,717	16,056
Dividends (Note 13)	<u>(33,000)</u>	<u>(55,000)</u>
Closing Shareholders Funds	<u>3,953</u>	<u>27,236</u>

13 Dividends

	2006 £	2005 £
Dividends paid on equity capital	6,000	20,000
Dividends paid on non equity capital	<u>27,000</u>	<u>30,000</u>
Closing Shareholders Fund	<u>33,000</u>	<u>50,000</u>

14 Transactions with directors

Included in other creditors is an amount of £46,964 due to Ms V E Gubbay (2005 (102,220) Included in other debtors is an amount of £2,500 due from C Blackburn which was repaid in February 2007

15 Control

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