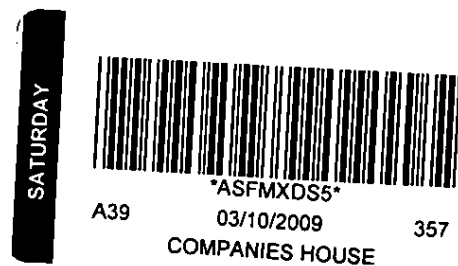


VGI ENTERTAINMENT LIMITED

UNAUDITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008



COMPANY INFORMATION

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

VGI ENTERTAINMENT LIMITED

CONTENTS

	Page
Directors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 12

VGI ENTERTAINMENT LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008

The directors present their report and financial statements for the period ended 31 December 2008.

Principal activities

The principal activity of the company is that of the production and co-production of animation and of distribution of films and television rights.

Directors

The following directors have held office since 1 January 2008:

V E Corner
S A Corner
C Blackburn

Directors' responsibilities

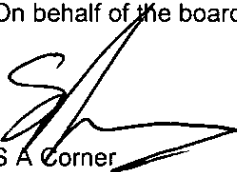
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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

23 March 2009

VGI ENTERTAINMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

		Period Ended 31 December 2008 £	Period Ended 31 December 2007 £
	Notes		
Turnover		863,060	490,393
Cost of Sales		(537,599)	(194,563)
GROSS PROFIT		325,461	295,830
Administrative expenses		(283,056)	(268,074)
Operating profit	2	42,405	27,756
Other interest receivable and similar income		1,158	2,123
Interest payable and similar charges		(20,587)	(20,635)
Profit on ordinary activities before taxation		22,976	9,244
Tax on profit on ordinary activities	3	(6,500)	(4,550)
Profit on ordinary activities after taxation		16,476	4,694

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

VGI ENTERTAINMENT LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

		2008		2007	
	Notes	£	£	£	£
Fixed Assets					
Intangible Assets	4		8,534		15,355
Tangible Assets	5		331,973		341,819
Investments	6		2		2
			<u>340,509</u>		<u>357,176</u>
Current Assets					
Debtors	7	605,279		361,544	
Creditors: amounts falling due within one year	8	<u>(920,665)</u>		<u>((710,073))</u>	
Net Current Liabilities			<u>(315,386)</u>		<u>(348,529)</u>
Total Assets less current liabilities			<u>25,123</u>		<u>8,647</u>
Capital and reserves					
Called up share capital	10		157		157
Capital redemption reserve			10		10
Profit and loss account	11		<u>24,956</u>		<u>8,480</u>
Shareholders' Funds	12		<u>25,123</u>		<u>8,647</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 2008 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 by the Board on 23 March 2009.


S. A. Corner
Director

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 2008

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 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 2008

2	Operating profit	2008	2007
		£	£

Operating profit is stated after charging:

Amortisation of intangible assets	6,821	6,821
Depreciation of tangible assets	12,548	13,080
Directors' emoluments	12,000	12,167

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2006 - 1).

3	Taxation	2008	2007
		£	£
	Domestic current year tax		
	U.K. corporation tax at 20/21% (2007: 20%)	<u>6,500</u>	<u>4,550</u>
	Current tax charge	<u>6,500</u>	<u>4,550</u>

4	Intangible fixed assets	Licences
		£
	Cost	
	At 31 December 2007 and 31 December 2008	<u>61,399</u>
	Amortisation	
	At 1 January 2008	46,044
	Charge for the period	<u>6,821</u>
	At 31 December 2008	<u>52,865</u>
	Net book value	
	At 31 December 2008	<u>8,534</u>
	At 31 December 2007	<u>15,335</u>

VGI ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2008

5 Tangible Fixed Assets

	Land and buildings £	Plant and Machinery etc £	Total £
Costs			
At 1 January 2008	385,998	187,423	573,421
Additions	-	2,701	2,701
At 31 December 2008	385,998	190,124	576,122
Depreciation			
At 1 January 2008	65,620	165,982	231,602
Charge for the Period	7,720	4,828	12,548
At 31 December 2008	73,340	170,809	244,149
Net book value			
At 31 December 2008	312,658	19,315	331,973
At 31 December 2007	320,378	21,441	341,819

VGI ENTERTAINMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2008

6 Fixed asset investments

	Shares in group undertakings and participating interests
Cost	
At 31 December 2007 and 2008	<u>12,002</u>
Provisions for diminution in value	
At 31 December 2007 and 2008	<u>12,000</u>
Net book value	
At 31 December 2008	<u>2</u>
At 31 December 2007	<u>2</u>

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 2008	Profit for the year 2008
	£	£
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 2008

7 Debtors	2008 £	2007 £
Trade debtors	264,764	173,565
Amounts owed by group undertakings and undertakings in which the company has a participating interest	185,710	175,687
Other debtors	<u>154,805</u>	<u>12,292</u>
	<u>605,279</u>	<u>361,544</u>

8 Creditors: amounts falling due within one year	2008 £	2007 £
Bank loans and overdrafts	256,543	295,985
Trade creditors	653,108	402,653
Taxation and social security	<u>11,014</u>	<u>11,435</u>
	<u>920,665</u>	<u>710,073</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 (2007: £0).

10 Share Capital	2008 £	2007 £
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 2008

11 Reserves

	Profit and Loss Account £
Balance at 31 December 2007	8,486
Profit retained for the year	16,476
31 December 2008	<u>24,956</u>

12 Reconciliation of movement in Shareholders Funds

	2008 £	2007 £
Opening Shareholders Funds	8,647	3,953
Profit retained for the year	<u>16,476</u>	<u>4,694</u>
Closing Shareholders Funds	<u>25,123</u>	<u>8,647</u>

13 Transactions with directors

Included in other debtors is an amount of £30,030 due from Mrs V E Corner (2007: £1,294). Included in other debtors is an amount of £6,500 due from C Blackburn (2007: £5,000). Both amounts were repaid after the year end.

14 Control

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