

ContentFilm Productions Limited

**Directors' report and financial
statements**

Registered number 2760217

31 March 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

Principal activity

The principal activity of the company is the exploitation and development of entertainment based intellectual property rights. The turnover for the year relates to royalties on the Company's intellectual property rights.

Results and dividends

The loss for the financial year was £34,249 (2006 loss £68,672). No dividends were paid or proposed during the year (2006 £nil).

The board considers the company's key performance indicator is profit before tax as above.

Business Review

The company continues to generate revenues on the intellectual property rights it holds, however the directors have reviewed the inventory values held resulting in some write downs at 31 March 2007. The directors are considering the trading position of this company.

Directors

The directors of the company who served during the year were as follows:

J Schmidt
G Webb

Directors' report (*continued*)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 these 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,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that 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 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Principal risks and uncertainties

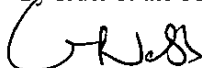
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately.

Accordingly, the principal risks and uncertainties of ContentFilm plc, the Company's ultimate undertaking, are discussed within the 'Principal risks and uncertainties' paragraph in the directors' report of the financial statements of ContentFilm plc, which do not form part of this report.

Auditors

Grant Thornton UK LLP offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985.

By order of the board



G Webb
Secretary

19 Heddon Street
London
W1B 4BG

31 January 2008



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CONTENTFILM PRODUCTIONS LIMITED

We have audited the financial statements of ContentFilm Productions Limited for the year ended 31 March 2007 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON

A handwritten signature in black ink, appearing to read 'Grant Thornton UK LLP', written over a horizontal line.

31 January 2008

Profit and loss account
for the year ended 31 March 2007

| | <i>Note</i> | 2007 £ | 2006 £ |
|--|-------------|--------------------|------------------|
| Turnover | 2 | 9,330 | 6,382 |
| Cost of sales | | (39,379) | (10,890) |
| | | <hr/> | <hr/> |
| Gross profit/(loss) | | (30,049) | (4,508) |
| Net operating expenses | 3 | (4,200) | (64,163) |
| | | <hr/> | <hr/> |
| Operating loss | | (34,249) | (68,671) |
| Interest (payable)/receivable | 7 | - | (1) |
| | | <hr/> | <hr/> |
| Loss on ordinary activities before taxation | 4 | (34,249) | (68,672) |
| Tax credit on loss on ordinary activities | 8 | - | - |
| | | <hr/> | <hr/> |
| Loss for the year | | (34,249) | (68,672) |
| Profit and loss account brought forward | | (5,826,585) | (5,757,913) |
| | | <hr/> | <hr/> |
| Profit and loss account carried forward | | (5,860,834) | (5,826,585) |
| | | <hr/> | <hr/> |

Turnover and results reported above all relate to continuing operations

There were no recognised gains or losses during either year other than the results reported above

Balance sheet
at 31 March 2007

| | <i>Notes</i> | 2007 £ | 2006 £ |
|--|--------------|--------------------|--------------------|
| Current assets | | | |
| Stocks | 9 | 77,179 | 113,509 |
| Debtors | 10 | 4,443 | 3,758 |
| Cash at bank and in hand | | - | - |
| | | <u>81,622</u> | <u>117,267</u> |
| Creditors amounts falling due within one year | 11 | (5,855,301) | (5,856,697) |
| Net liabilities | | <u>(5,773,679)</u> | <u>(5,739,430)</u> |
| Capital and reserves | | | |
| Called up share capital | 12 | 1,052 | 1,052 |
| Share premium account | 13 | 86,103 | 86,103 |
| Profit and loss account | 13 | (5,860,834) | (5,826,585) |
| Equity shareholders' deficit | 14 | <u>(5,773,679)</u> | <u>(5,739,430)</u> |

These financial statements were approved by the board of directors on 31 January 2008 and were signed on its behalf by



G Webb
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies remain unchanged from the previous year and have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention and on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by ContentFilm plc, the company's ultimate holding undertaking. ContentFilm plc has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of film and television project inventory, cost is taken as direct costs incurred for the production of or the acquisition of sales rights for film and television projects less any foreseeable losses. Where the Group acts fundamentally in the management of an individual film production, attributable overhead is also included in the cost of film inventory. Interest on any loans taken out to fund specific production costs is capitalised until the date of completion. Film and television project inventory is appraised at each balance sheet date on a project by project basis and is amortised over a maximum amortisation period of ten years. In respect of the maximum amortisation period of ten years and the resultant carrying value at each balance sheet date due regard is given to the requirement for current assets to be held at the lower of cost and net realisable value. Net realisable value is calculated on a project by project basis having regard to the present value of estimated sales less further costs of completion and unrecoverable sales expenses.

Writing and development costs

Expenditure relating to writing, research and development of projects where there is no reasonable expectation of recovery is written off as incurred. Expenditure relating to projects where there is a reasonable expectation of yielding sufficient gross revenues to recover costs is carried forward as television project inventory and transferred accordingly to stocks.

Income recognition

Non-refundable licensing agreement advances, guarantees and subsequent royalties are accounted for on a receivable basis. Income from the sale of a share in intellectual property rights is recognised on a receivable basis when the sale becomes unconditional.

Pensions

This Company participated in a scheme which was a funded defined contribution scheme. The amounts charged against profits represents the contributions payable to the scheme in the year.

Currency translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Cash flow statement

A cash flow statement has not been prepared because the company is a wholly owned subsidiary of ContentFilm plc and the financial statements of that company contain a consolidated cash flow statement dealing with the cash flows of its group

Related party disclosures

Under Financial Reporting Standard 8, the company is exempt from the disclosure of transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of ContentFilm plc and its results are included in the consolidated financial statements of that company

2 Turnover

Turnover, which excludes value added tax, represents commissions earned on the exploitation of intellectual property rights and is principally derived in the UK

3 Net operating expenses

| | 2007 £ | 2006 £ |
|----------------------------------|--------------|---------------|
| Distribution and marketing costs | 4,200 | 56,598 |
| Administrative expenses | - | 7,565 |
| | <u>4,200</u> | <u>64,163</u> |

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

| | 2007 £ | 2006 £ |
|--|---------------|--------------|
| Stock write downs | 36,330 | 1,678 |
| Provision against intercompany debtors | 2,700 | 510 |
| | <u>39,030</u> | <u>2,188</u> |

All audit and non audit fees were borne by a fellow group undertaking

Notes (continued)

5 Staff numbers and costs

The average number of persons (including directors) employed by the company during the year was 2 (2006 2)

6 Directors' emoluments

None of the directors received any remuneration from the company during the year (2006 £nil)

7 Net interest (payable) / receivable

| | 2007 £ | 2006 £ |
|------------------------------------|-----------|-----------|
| Bank interest (payable)/receivable | - | (1) |

8 Tax on loss on ordinary activities

| | 2007 £ | 2006 £ |
|---|-----------|-----------|
| <i>UK current tax</i> | | |
| Corporation tax credit on the loss for the year | - | - |
| Adjustment in respect of prior year | - | - |
| Total current credit | - | - |

Factors affecting the tax credit for the current year

The current tax credit for the year is lower (2006 lower) than the standard rate of corporation tax in the UK at 30% (2006 30%)
The differences are explained below

| | 2007 £ | 2006 £ |
|--|-----------|-----------|
| <i>Current tax reconciliation</i> | | |
| Loss on ordinary activities before tax | (34,249) | (68,672) |
| Current tax credit at 30% (2006 30%) | (10,275) | (20,602) |
| <i>Effects of</i> | | |
| Expenses not deductible for tax purposes | | 153 |
| Tax losses carried forward | 10,275 | 11,438 |
| Group relief surrendered | | 9,011 |
| Total current tax credit (see above) | - | - |

Factors affecting future tax charges

There are unutilised tax losses within the company of £5.0m (2006 £5.0m) carried forward for relief against future suitable taxable profits and for which no deferred tax asset has been recognised on the grounds of prudence

Notes (continued)

9 Stocks

| | 2007 £ | 2006 £ |
|------------------------------|-----------|-----------|
| Television project inventory | 77,179 | 113,509 |

10 Debtors

| | 2007 £ | 2006 £ |
|----------------|-----------|-----------|
| Other taxation | 4,443 | 3,758 |

11 Creditors: amounts falling due within one year

| | 2007 £ | 2006 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | - | 189 |
| Accruals | 2,021 | - |
| Amounts owed by group undertakings | 5,853,280 | 5,856,508 |
| | <u>5,855,301</u> | <u>5,856,697</u> |

12 Share capital

| | 2007 £ | 2006 £ |
|---|-----------|-----------|
| Authorised: | | |
| 2,000 ordinary shares of £1 each | 2,000 | 2,000 |
| Allotted, called up and fully paid | | |
| 1,052 ordinary shares of £1 each | 1,052 | 1,052 |

13 Reserves

| | Share premium Account £ | Profit and loss account £ |
|-----------------------------|-------------------------------|---------------------------------|
| Balance brought forward | 86,103 | (5,826,585) |
| Loss for the financial year | - | (34,249) |
| Balance carried forward | <u>86,103</u> | <u>(5,860,834)</u> |

Notes (continued)

14 Reconciliation of movement in shareholders' deficit

| | 2007 £ | 2006 £ |
|---------------------------------------|-------------|-------------|
| Loss for the financial year | (34,249) | (68,672) |
| Shareholders' deficit brought forward | (5,739,430) | (5,670,758) |
| | <hr/> | <hr/> |
| Shareholders' deficit carried forward | (5,773,679) | (5,739,430) |
| | <hr/> | <hr/> |

15 Capital commitments

There were no capital commitments at 31 March 2007 (2006 £nil)

16 Contingent assets/liabilities

There were no contingent liabilities at 31 March 2007 (2006 £nil)

17 Ultimate controlling party

The company is controlled by ContentFilm plc, the ultimate parent company, which is also the ultimate controlling party. The only group in which the results of the company are consolidated is ContentFilm plc. The consolidated accounts of this company are available to the public and may be obtained from the company's registered address, 19-21 Heddons Street, W1B 4BG.

18 JP Morgan Chase Bank Guarantee

In relation to a Credit and Guarantee Agreement (the Agreement) dated March 26 2004, between JP Morgan Chase Bank, the Company's parent company ContentFilm plc, and a related group company ContentFilm Inc, the Company has provided a guarantee to JP Morgan Chase Bank in relation to the repayment of all amounts owing under the Agreement. Further JP Morgan Chase Bank has a security interest over the assets of the Company and its shares. The balance of the bank facility in ContentFilm plc as at 31 March 2007 was £9.4m (2006 £8.5m).