

All3Media (Overseas) Limited

Directors' report and financial statements

Registered number 3203247

31 August 2005



Contents

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of All3Media (Overseas) Limited	3
Profit and loss account	4
Statement of total recognised gains and losses	5
Reconciliation of movements in shareholders' funds	5
Balance sheet	6
Notes to the financial statements	7-11

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 2005.

Principal activity and future developments

The company's principal activity is the distribution and marketing of television and film programmes. The directors do not anticipate any changes in this activity over the coming year.

Results and dividends

The profit for the year, after taxation, amounted to £400,635 (2004: £222,936).

The directors recommend the payment of a dividend of £200,000 for the year (2004: £nil).

Directors and directors' interests

The directors who held office during the year were as follows:

J Burns
S Morrison

Neither of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.


According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to either of the directors or their immediate families, or exercised by them, during the financial year.

At 31 August 2005, J Burns and S Morrison were also directors of All3Media Group Limited, the ultimate parent company and their share interests are disclosed in the director's report of that company.

Auditors

During the year Ernst & Young LLC resigned as auditors of the company, and PricewaterhouseCoopers LLP have been appointed. A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the annual general meeting.

By order of the Board


J C Pfeil
Secretary

87 - 91 Newman Street
London
W1T 3EY

Date: 26 Aug 2006

Statement of 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of All3Media (Overseas) Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes 1 to 15 which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.


Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 of the state of affairs of the company at 31 August 2005 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
26 May 2006

Profit and loss account

for the year ended 31 August 2005

	<i>Note</i>	2005 £	2004 £
Turnover	<i>1,2</i>	4,105,690	2,377,449
Cost of sales		(2,834,323)	(1,696,063)
		<hr/>	<hr/>
Gross profit		1,271,367	681,386
Distribution costs		(656,218)	(68,959)
Administrative expenses		(66,000)	(304,090)
		<hr/>	<hr/>
Operating profit	<i>3</i>	549,148	308,337
Interest receivable and similar income	<i>6</i>	20,422	10,142
		<hr/>	<hr/>
Profit on ordinary activities before taxation		569,570	318,479
Taxation	<i>7</i>	(168,935)	(95,543)
		<hr/>	<hr/>
Profit on ordinary activities for the year		400,635	222,936
Dividend Paid		(200,000)	-
		<hr/>	<hr/>
Retained profit for the year		200,635	222,936
Accumulated profit brought forward		1,819,099	1,596,163
		<hr/>	<hr/>
Accumulated profit carried forward		2,019,734	1,819,099
		<hr/>	<hr/>

Amounts relating to turnover and operating profit in the current and previous year derive from continuing activities.

The notes on pages 7 to 11 form part of these financial statements.

Statement of total recognised gains and losses

for the year ended 31 August 2005

There were no recognised gains or losses in the current or previous year other than the profit for those years.

Reconciliation of movements in shareholders' funds

for the year ended 31 August 2005

	2005 £	2004 £
Profit for the financial year	400,635	222,936
Dividend	(200,000)	-
	<hr/>	<hr/>
Net change in shareholders' funds	200,635	222,936
Shareholders' funds brought forward	1,819,101	1,596,165
	<hr/>	<hr/>
Shareholders' funds carried forward	2,019,736	1,819,101
	<hr/> <hr/>	<hr/> <hr/>

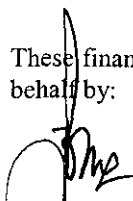
Balance sheet

at 31 August 2005

	<i>Note</i>	2005 £	£	2004 £	£
Fixed Assets					
Fixed Asset Investments	8		1,600,000		1,600,000
Current Assets					
Debtors	9	5,087,959		3,613,720	
Cash at bank and in hand		1,213,155		409,249	
		<u>6,301,114</u>		<u>4,022,969</u>	
Creditors: amounts falling due within one year	10	<u>(5,881,378)</u>		<u>(3,803,868)</u>	
Net current assets			<u>419,736</u>		<u>219,101</u>
Net assets			<u>2,019,736</u>		<u>1,819,101</u>
Capital and reserves					
Called up share capital	12		2		2
Profit and loss account			<u>2,019,734</u>		<u>1,819,099</u>
Shareholders' funds – equity			<u>2,019,736</u>		<u>1,819,101</u>

These financial statements were approved by the board of directors on 26 May 2006
 behalf by:

and were signed on its


J Burns
 Director

The notes on pages 7 to 11 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards as defined in section 256 of Companies Act 1985.

Cash flow statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the Group. Group financial statements are prepared and publicly available.

Turnover

Turnover and attributable profits are recognised in accordance with the Group's right to receive revenue based on the contracted position. For finished programmes and formats distributed by the company, revenue is recognised once contracted and invoiced provided that the product is available for delivery.

Royalties

Royalties payable to producers or rights holders are recognised as cost of sales on an accruals basis in accordance with the turnover recognised.

Fixed asset investments

Fixed asset investments are initially stated at cost. The carrying values of fixed asset investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Post-retirement benefits

The company contributes to a defined contribution personal pension scheme. The contributions to this scheme are charged to the profit and loss account in the period in which the contributions are payable.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

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

Notes (continued)

2 Analysis of turnover by geographical market

	2005 £	2004 £
United Kingdom	101,498	211,532
Rest of the world	4,004,192	2,165,917
	<u>4,105,690</u>	<u>2,377,449</u>

3 Operating profit

	2005 £	2004 £
<i>This is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	5,000	4,004
Exchange (gains)/ losses	(71,989)	43,008
	<u> </u>	<u> </u>

4 Remuneration of directors

Directors' remuneration in 2005 was £nil (2004: £nil).

The directors are remunerated by All3Media Limited, and details of their emoluments and pension payments are available in the financial statements of that company.

5 Staff numbers and costs

The average monthly number of persons employed by the company during the year (including directors) were as follows:

	Number of employees 2005	2004
	<u>1</u>	<u>1</u>
	2005 £	2004 £
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	127,800	128,422
Social security costs	15,618	7,877
Other pension costs	5,321	2,637
	<u>148,739</u>	<u>138,936</u>

Notes (continued)

6 Other interest receivable and similar income

	2005 £	2004 £
Bank interest receivable	3,972	6,725
Interest receivable from parent company	16,450	3,417
	<hr/> 20,422 <hr/>	<hr/> 10,142 <hr/>

7 Taxation

(i) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005 £	2004 £
UK corporation tax	112,902	13,523
Foreign tax	56,033	82,020
Tax on profit on ordinary activities	<hr/> 168,935 <hr/>	<hr/> 95,543 <hr/>

(ii) Factors affecting the tax charge for the current year

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK at 30% (2004: 30%). The differences are explained below.

	2005 £	2004 £
Profit on ordinary activities before tax	569,570	318,479
	<hr/>	<hr/>
Current tax at 30% (2004: 30%)	170,871	95,543
<i>Effects of:</i>		
Adjustment in respect of prior years	32	-
Other tax adjustments	(1,968)	-
	<hr/>	<hr/>
Total current tax charge for the year	<hr/> 168,935 <hr/>	<hr/> 95,543 <hr/>

Notes (continued)

8 Fixed Asset Investments

	2005 £	2004 £
Shares in fellow subsidiary undertaking	1,600,000	1,600,000

Details of the fellow subsidiary undertaking are as follows:

Name of company	Country of incorporation	Equity holding	Nature of business
All3Media International Limited	England & Wales	17.9%	Distribution

9 Debtors: due within one year

	2005 £	2004 £
Trade debtors	3,562,654	1,534,328
Amounts owed by parent company	1,410,087	1,413,199
Other debtors	79,749	604,650
Prepayments and accrued income	35,469	-
VAT recoverable	-	61,543
	<u>5,087,959</u>	<u>3,613,720</u>

10 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank loan and overdraft	45,255	-
Trade creditors	683,214	1,797,601
Amounts owed to fellow subsidiary undertakings	3,563,817	1,244,497
Accruals and deferred income	1,475,026	683,079
UK Corporation tax	78,816	13,540
Other creditors including taxation and social security	35,250	65,151
	<u>5,881,378</u>	<u>3,803,868</u>

11 Provisions for liabilities and charges

Deferred tax has not been provided for at 31 August 2005 or 31 August 2004 on the basis that there are no timing differences at the end of either year.

Notes (continued)

12 Share capital

<i>Equity</i>	2005	2004
	£	£
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

13 Contingent liabilities

On 29 August 2003, the company was acquired by All3Media Limited, a wholly owned subsidiary of All3Media Group Limited, a company formed for the purpose of effecting the acquisition of the TV division of Chrysalis Group plc. As part of the acquisition arrangements the shares and assets of the company were charged to Royal Bank of Scotland plc who provided bank finance for the acquisition.

As part of the sale and purchase agreement between All3Media Limited and Chrysalis Group plc certain elements of the consideration were deferred. All3Media International Limited is one of the companies that has provided a composite guarantee and debenture in favour of Chrysalis Group plc in respect of the deferred consideration. This ranks second to the security provided to Royal Bank of Scotland plc in respect of the acquisition finance.

14 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

15 Ultimate and immediate parent company

The Company's immediate parent undertaking is All3Media Limited. In the Directors' opinion, the Company's ultimate parent undertaking is All3Media Group Limited. Copies of its group financial statements, which include the Company, are available from 87-91 Newman Street, London, W1T 3EY.