

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012
FOR
CARNABY FILM PRODUCTIONS PLC**

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FOR THE YEAR ENDED 30 SEPTEMBER 2012**

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CARNABY FILM PRODUCTIONS PLC

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

DIRECTORS:	C Hooper F Wasson
SECRETARY:	MH Secretaries Ltd
REGISTERED OFFICE:	Staple Court 11 Staple Inn Buildings London WC1V 7QH
REGISTERED NUMBER:	06230333 (England and Wales)
AUDITORS:	Johnsons, Chartered Accountants Statutory Auditor 2nd Floor 109 Uxbridge Road London W5 5TL
BANKERS:	Societe Generale SG House 41 Tower Hill London EC3N 4SG
SOLICITORS:	Marriott Harrison Staple Court 11 Staple Inn Buildings London WC1V 7QH

CARNABY FILM PRODUCTIONS PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 2012

The directors present their report with the financial statements of the company for the year ended 30 September 2012

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the exploitation of a feature film entitled "Doghouse "

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements

The film continues to be released in further countries around the world and the directors expect further income generation

The company's operations expose it to certain financial risks which the company monitors on a regular basis

Principal risks and uncertainties

The key business risks affecting the company are

- the risk that the film may not be received well by critics and viewers
- the ability of the company to raise further share capital

In response to the risks the company

- continues to review and monitor the film but the directors recognise that by its very nature the film industry is a risk business
- the company promotes the film at all levels and keep investors informed of developments through its website

DIVIDENDS

No dividends will be distributed for the year ended 30 September 2012

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2011 to the date of this report

C Hooper
F Wasson

COMPANY'S POLICY ON PAYMENT OF CREDITORS

The company does not have a formal policy for the payment of suppliers. The company pays its creditors as they fall due

CARNABY FILM PRODUCTIONS PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Johnsons, Chartered Accountants, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



C Hooper - Director

1 March 2013

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CARNABY FILM PRODUCTIONS PLC

We have audited the financial statements of Carnaby Film Productions Plc for the year ended 30 September 2012 on pages six to fourteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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

As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
CARNABY FILM PRODUCTIONS PLC**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

David Turner (Senior Statutory Auditor)
for and on behalf of Johnsons, Chartered Accountants
Statutory Auditor
2nd Floor
109 Uxbridge Road
London
W5 5TL

1 March 2013

CARNABY FILM PRODUCTIONS PLC

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

	Notes	2012 £	2011 £
TURNOVER		56,923	21,099
Cost of sales		<u>13,471</u>	<u>1,965</u>
GROSS PROFIT		43,452	19,134
Administrative expenses		<u>81,297</u>	<u>1,444,171</u>
OPERATING LOSS	3	(37,845)	(1,425,037)
Related party balance write back		<u>-</u>	<u>35,000</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(37,845)	(1,390,037)
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u>(37,845)</u>	<u>(1,390,037)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current year or previous year

The notes form part of these financial statements

CARNABY FILM PRODUCTIONS PLC

BALANCE SHEET
30 SEPTEMBER 2012

	Notes	2012 £	2011 £
FIXED ASSETS			
Intangible assets	5	85,714	100,000
CURRENT ASSETS			
Debtors	6	119,990	130,090
Cash at bank		3,460	3,229
		<u>123,450</u>	<u>133,319</u>
CREDITORS			
Amounts falling due within one year	7	26,690	13,000
		<u>26,690</u>	<u>13,000</u>
NET CURRENT ASSETS		96,760	120,319
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>182,474</u>	<u>220,319</u>
CAPITAL AND RESERVES			
Called up share capital	8	2,989,400	2,989,400
Profit and loss account	9	(2,806,926)	(2,769,081)
		<u>182,474</u>	<u>220,319</u>
SHAREHOLDERS' FUNDS	11	<u>182,474</u>	<u>220,319</u>

The financial statements were approved by the Board of Directors on 1 March 2013 and were signed on its behalf by



C Hooper - Director



F Wasson - Director

The notes form part of these financial statements

CARNABY FILM PRODUCTIONS PLC

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

	Notes	2012 £	2011 £
Net cash inflow/(outflow) from operating activities	1	231	(34,436)
Increase/(decrease) in cash in the period		<u>231</u>	<u>(34,436)</u>

Reconciliation of net cash flow to movement in net funds	2		
Increase/(decrease) in cash in the period		231	(34,436)
Change in net funds resulting from cash flows		<u>231</u>	<u>(34,436)</u>
Movement in net funds in the period		231	(34,436)
Net funds at 1 October		<u>3,229</u>	<u>37,665</u>
Net funds at 30 September		<u>3,460</u>	<u>3,229</u>

The notes form part of these financial statements

CARNABY FILM PRODUCTIONS PLC

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

1 RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating loss	(37,845)	(1,425,037)
Depreciation charges	14,286	190,533
Film rights impairment	-	1,233,727
Related party balance write back	-	35,000
Decrease/(increase) in debtors	10,100	(19,009)
Increase/(decrease) in creditors	13,690	(49,650)
Net cash inflow/(outflow) from operating activities	231	(34,436)

2 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 10 11 £	Cash flow £	At 30 9 12 £
Net cash			
Cash at bank	3,229	231	3,460
	<u>3,229</u>	<u>231</u>	<u>3,460</u>
Total	<u>3,229</u>	<u>231</u>	<u>3,460</u>

The notes form part of these financial statements

CARNABY FILM PRODUCTIONS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

At the year end the company was owed £80,000 from associated companies. These debtors included £50,000 due from Carnaby International Productions plc and £30,000 due from Carnaby International plc which have been outstanding for over one year. The directors believe that these loans are recoverable and will be settled within one year. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Accounting convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Turnover

Turnover represents the company's share of revenues generated from the exploitation of the master negative of the film.

Intangible fixed assets

Intangible fixed assets comprise the master negative of the film and the film rights to the feature film entitled "Doghouse".

The film rights are stated at cost. Cost comprises the development cost of producing the master negative of the film.

Film rights are amortised on a straight line basis in order to write off the carrying value of the asset over its remaining estimated useful life.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2 STAFF COSTS

	2012 £	2011 £
Wages and salaries	<u>50,000</u>	<u>-</u>

The average monthly number of employees during the year was as follows:

	2012	2011
Directors	<u>2</u>	<u>2</u>

3 OPERATING LOSS

The operating loss is stated after charging:

	2012 £	2011 £
Film rights amortisation	14,286	190,533
Auditors' remuneration	5,600	5,500
Auditors' remuneration for non audit work	<u>2,500</u>	<u>2,500</u>

CARNABY FILM PRODUCTIONS PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2012

3 OPERATING LOSS - continued

Directors' remuneration	50,000	-
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4 TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 30 September 2012 nor for the year ended 30 September 2011

5 INTANGIBLE FIXED ASSETS

	Film rights £
COST	
At 1 October 2011	
and 30 September 2012	1,905,326
AMORTISATION	
At 1 October 2011	1,805,326
Amortisation for year	14,286
At 30 September 2012	1,819,612
NET BOOK VALUE	
At 30 September 2012	85,714
At 30 September 2011	100,000

The company has an entitlement to participate in 37.88% of the revenues generated from the exploitation of the film rights

6 DEBTORS- AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Trade debtors	39,752	-
Carnaby International Films plc	-	35,000
Carnaby International plc	30,000	45,000
Value added tax	238	90
Carnaby International Productions plc	50,000	50,000
	119,990	130,090

The amounts due from Carnaby International plc and Carnaby International Productions plc are unsecured and repayable on demand. C Hooper and F Wasson hold directorships in these companies.

CARNABY FILM PRODUCTIONS PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2012

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£	£
Trade creditors	540	-
Carnaby International Films plc	15,000	-
Other creditors	650	5,000
Accrued expenses	10,500	8,000
	<u>26,690</u>	<u>13,000</u>

The amount owed to Carnaby International Films plc is unsecured and payable on demand C Hooper and F Wasson hold directorships in this company

8 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value	2012	2011
			£	£
50,000	A Ordinary	£1	50,000	50,000
2,939,400	B Ordinary	£1	2,939,400	2,939,400
			<u>2,989,400</u>	<u>2,989,400</u>

CARNABY FILM PRODUCTIONS PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2012

8 CALLED UP SHARE CAPITAL - continued

The A Ordinary shares and B Ordinary shares rank pari passu in all respects except,

1) Following payment of an aggregate total dividend of £1 in respect of each share in issue any further dividends shall be paid as follows

(i) 50% in value of such dividends shall be paid to the holders of the A shares in proportion to the number of A shares held by each of them, and

(ii) 50% in value of such dividends shall be paid to the holders of the B shares in proportion to the number of B shares held by each of them

Notwithstanding any other provision of these Articles, on a return of assets on a liquidation, reduction of capital or otherwise, the holders of the A shares and the holders of the B shares shall be entitled to be paid out of the surplus assets of the Company remaining after payment of its liabilities the amount paid up or credited as paid up on the shares, such payment to be paid in proportion to the number of A shares or B shares held respectively by the holders of the A shares or the B shares (as the case may be) After such payment has been made to the holder of the A shares and the holders of the B shares any further surplus assets shall be paid as follows

(i) 50% in value of such surplus assets shall be paid to the holders of the A shares in proportion to the number of A shares held by each of them, and

(ii) 50% in value of such surplus assets shall be paid to the holders of the B shares in proportion to the number of B shares held by each of them

2) Whatever the number of A shares in issue at any time the A shares shall confer upon the holders thereof the right (pro rata to the number of A shares held by each of them) to cast an aggregate of 51% of the voting rights capable of being cast on all matters decided by vote at general meetings

9 RESERVES

	Profit and loss account £
At 1 October 2011	(2,769,081)
Deficit for the year	(37,845)
At 30 September 2012	<u>(2,806,926)</u>

CARNABY FILM PRODUCTIONS PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2012

10 RELATED PARTY DISCLOSURES

C Hooper and F Wasson are directors and shareholders in the following companies to which loans were made The amounts outstanding were as follows

Company	2012	2011
-----	£	£
Carnaby International Films plc	-	35,000
Carnaby International plc	30,000	45,000
Carnaby International Productions plc	50,000	50,000
	<u>80,000</u>	<u>130,000</u>

C Hooper and F Wasson are directors and shareholders in the following companies from which loans were taken The amounts outstanding were as follows

Company	2012	2011
-----	£	£
Carnaby International Films plc	15,000	-
	<u>15,000</u>	<u>-</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012	2011
	£	£
Loss for the financial year	(37,845)	(1,390,037)
Shares issued		
Net reduction of shareholders' funds	<u>(37,845)</u>	<u>(1,390,037)</u>
Opening shareholders' funds	220,319	1,610,356
Closing shareholders' funds	<u><u>182,474</u></u>	<u><u>220,319</u></u>

12 CONTROLLING PARTY

The company is jointly controlled by C Hooper and F Wasson who are both directors