

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010
FOR
CARNABY FILM PRODUCTIONS PLC**

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CARNABY FILM PRODUCTIONS PLC

CONTENTS OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Cash Flow Statement	7
Notes to the Cash Flow Statement	8
Notes to the Financial Statements	9

CARNABY FILM PRODUCTIONS PLC

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

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 2010

The directors present their report with the financial statements of the company for the year ended 30 September 2010

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

Turnover has increased by 114% to £89,832 as a result of a wider distribution of the film

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 2010

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2009 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 2010**

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

Date 10 MAY 2011

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

We have audited the financial statements of Carnaby Film Productions Plc for the year ended 30 September 2010 on pages five to twelve. 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 pages two and 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 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.

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 2010 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.

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

Date

10 MAY 2011

CARNABY FILM PRODUCTIONS PLC

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2010**

	Notes	2010 £	2009 £
TURNOVER		89,832	41,957
Cost of sales		<u>72,322</u>	<u>39,300</u>
GROSS PROFIT		17,510	2,657
Administrative expenses		<u>247,869</u>	<u>903,502</u>
OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(230,359)	(900,845)
Tax on loss on ordinary activities	4	<u>-</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u>(230,359)</u>	<u>(900,845)</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 2010

	Notes	2010 £	2009 £
FIXED ASSETS			
Intangible assets	5	1,524,260	1,714,793
CURRENT ASSETS			
Debtors	6	111,081	342,360
Cash at bank		37,665	40,730
		<u>148,746</u>	<u>383,090</u>
CREDITORS			
Amounts falling due within one year	7	62,650	262,543
		<u>148,746</u>	<u>383,090</u>
NET CURRENT ASSETS		86,096	120,547
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,610,356</u>	<u>1,835,340</u>
CAPITAL AND RESERVES			
Called up share capital	8	2,989,400	2,984,025
Profit and loss account	9	(1,379,044)	(1,148,685)
		<u>1,610,356</u>	<u>1,835,340</u>
SHAREHOLDERS' FUNDS	12	<u>1,610,356</u>	<u>1,835,340</u>

The financial statements were approved by the Board of Directors on 10 MAY 2011 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 2010**

	Notes	2010 £	2009 £
Net cash outflow from operating activities	1	(8,440)	(38,665)
Capital expenditure	2	-	(1,905,326)
		<u>(8,440)</u>	<u>(1,943,991)</u>
Financing	2	5,375	1,977,900
(Decrease)/Increase in cash in the period		<u>(3,065)</u>	<u>33,909</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	3		
(Decrease)/Increase in cash in the period		<u>(3,065)</u>	<u>33,909</u>
Change in net funds resulting from cash flows		<u>(3,065)</u>	<u>33,909</u>
Movement in net funds in the period		<u>(3,065)</u>	<u>33,909</u>
Net funds at 1 October		<u>40,730</u>	<u>6,821</u>
Net funds at 30 September		<u>37,665</u>	<u>40,730</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 2010**

1 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating loss	(230,359)	(900,845)
Depreciation charges	190,533	190,533
Decrease in debtors	231,279	610,346
(Decrease)/Increase in creditors	(199,893)	61,301
Net cash outflow from operating activities	(8,440)	(38,665)

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2010 £	2009 £
Capital expenditure		
Purchase of intangible fixed assets	-	(1,905,326)
Net cash outflow for capital expenditure	-	(1,905,326)
Financing		
Share issue	5,375	1,977,900
Net cash inflow from financing	5,375	1,977,900

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 10 09 £	Cash flow £	At 30 9 10 £
Net cash			
Cash at bank	40,730	(3,065)	37,665
	<u>40,730</u>	<u>(3,065)</u>	<u>37,665</u>
Total	<u>40,730</u>	<u>(3,065)</u>	<u>37,665</u>

The notes form part of these financial statements

CARNABY FILM PRODUCTIONS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

1 ACCOUNTING POLICIES

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 and the company's share of the net revenues generated therefrom

Film rights are estimated to have an economic life of 10 years and are being amortised over this period on a straight line basis

Deferred tax

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

Impairment of intangible fixed assets

The company assesses at each balance sheet date whether there is any indication that the value of each group of intangible fixed assets is impaired. If any such indication exists, the company estimates the recoverable amount. The recoverable amount of each group of intangible fixed asset is the higher of its net realisable value and value in use. If the recoverable amount is less than its carrying value, an impairment loss is recognised in the profit and loss account and the carrying value of the net fixed asset reduced by the amount of the loss

2 STAFF COSTS

	2010 £	2009 £
Wages and salaries	<u>30,000</u>	<u>30,000</u>

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

	2010	2009
Directors	<u>2</u>	<u>2</u>

3 OPERATING LOSS

The operating loss is stated after charging

	2010 £	2009 £
Film rights amortisation	190,533	190,533
Auditors' remuneration	4,200	6,000
Auditors' remuneration for non audit work	<u>2,800</u>	<u>4,000</u>
Directors' remuneration	<u>30,000</u>	<u>30,000</u>

CARNABY FILM PRODUCTIONS PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2010

4 TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 30 September 2010 nor for the year ended 30 September 2009

5 INTANGIBLE FIXED ASSETS

	Film rights £
COST	
At 1 October 2009 and 30 September 2010	1,905,326
AMORTISATION	
At 1 October 2009	190,533
Amortisation for year	190,533
At 30 September 2010	381,066
NET BOOK VALUE	
At 30 September 2010	1,524,260
At 30 September 2009	1,714,793

The company has an entitlement to participate in 47.88% of the revenues generated from the exploitation of the film rights

6 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade debtors	-	2,656
Carnaby International Films plc	46,000	46,000
Carnaby International plc	45,000	45,000
Carnaby Media plc	20,000	20,000
Value added tax	81	190,704
Other debtors	-	3,000
Prepayments	-	35,000
	<u>111,081</u>	<u>342,360</u>

The amounts due from Carnaby International Films plc, Carnaby International plc and Carnaby Media plc are unsecured and no interest is due on these loans. No repayment dates have been agreed with these companies.

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Trade creditors	-	190,043
Other creditors	650	10,000
Carnaby Pictures plc	55,000	50,000
Accrued expenses	7,000	12,500
	<u>62,650</u>	<u>262,543</u>

The amount due to Carnaby Pictures plc is unsecured and no interest is payable on the loan.

CARNABY FILM PRODUCTIONS PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2010

8 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid Number	Class	Nominal value	2010 £	2009 £
50,000	A Ordinary	£1	50,000	50,000
2,939,400 (2009 - 2,934,025)	B Ordinary	£1	2,939,400	2,934,025
			<u>2,989,400</u>	<u>2,984,025</u>

5,375 Ordinary B shares of £1 each were allotted and fully paid for cash at par during the year

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 2009	(1,148,685)
Deficit for the year	<u>(230,359)</u>
At 30 September 2010	<u><u>(1,379,044)</u></u>

CARNABY FILM PRODUCTIONS PLC

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 30 SEPTEMBER 2010

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	2010	2009
-----	£	£
Carnaby International Films plc	46,000	46,000
Carnaby International plc	45,000	45,000
Carnaby Media plc	20,000	20,000

Carnaby Pictures plc, a company in which C Hooper and F Wasson are directors and shareholders loaned funds to the company The amount owed at 30 September 2010 was £55,000 (2009 £50,000)

Costs totalling £12,815 (2009 £526,000) were paid to Carnaby Production and Management Services Ltd for production and management services supplied

11 POST BALANCE SHEET EVENTS

The company's entitlement to revenues generated from the exploitation of the film rights in the film "Doghouse" reduced to 37.88% with effect from 31 October 2010

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010	2009
	£	£
Loss for the financial year	(230,359)	(900,845)
Shares issued	5,375	1,977,900
Net (reduction)/addition to shareholders' funds	(224,984)	1,077,055
Opening shareholders' funds	1,835,340	758,285
Closing shareholders' funds	1,610,356	1,835,340

13 CONTROLLING PARTY

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