

RSA FILMS LIMITED

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2001

DIRECTORS:

R SCOTT  
A D L SCOTT  
A P HARRISON

SECRETARY:

RWL REGISTRARS LIMITED



REGISTERED OFFICE:

4TH FLOOR  
ST GEORGE'S HOUSE  
15 HANOVER SQUARE  
LONDON W1S 1HS

REGISTERED AUDITOR:

SHULMAN & COMPANY  
4TH FLOOR  
ST GEORGE'S HOUSE  
15 HANOVER SQUARE  
LONDON W1S 1HS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2001

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The following pages do not form part  
of the Statutory Financial Statements.

	15	-	TRADING AND PROFIT AND LOSS ACCOUNT
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REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 SEPTEMBER 2001

The Directors have pleasure in submitting their Annual Report to the Members together with the Audited Financial Statements in respect of the year ended 30 September 2001.

PRINCIPAL ACTIVITIES

The Principal Activities of the Company during the period were those of Film Production.

BUSINESS REVIEW

The Company traded steadily throughout the period under review and has continued to do so. In the opinion of the Directors, at the Balance Sheet date, the Company's position was considered to be satisfactory.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 1985 to prepare Financial Statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss for the financial period.

The Directors consider that in preparing the Financial Statements on pages 6 to 14 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors also consider that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the Financial Statements. As with all business forecasts the Directors' Statement cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty about future events.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the Financial Statements comply with the Companies Act 1985.

The Directors 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.

REPORT OF THE DIRECTORSFOR THE YEAR ENDED 30 SEPTEMBER 2001DIRECTORS

The Directors and their interests in the capital of the Company were as follows:

	<u>Beneficial Holdings</u>	
	<u>Shares of £1 each</u>	
	<u>30.09.2001</u>	<u>30.09.2000</u>
	<u>'A' Ordinary</u>	<u>'A' Ordinary</u>
R Scott	6	6
A D L Scott	6	6
A P Harrison	-	-
	<u>==</u>	<u>==</u>

DIVIDENDS

The Directors recommend that no dividend be declared for the period under review.

CHARITABLE PAYMENTS

Payments to Charities during the period amounted to £5,133 (30.09.2000: £1,500).

FIXED ASSETS

Movements in Fixed Assets are detailed in Note 2 to the Financial Statements.

AUDITORS

A Resolution proposing the reappointment of Shulman & Company, Registered Auditor, as Auditors to the Company, will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

.....  
DIRECTOR - R SCOTT

6/12/02  
.....  
DATE

TO THE SHAREHOLDERS OF RSA FILMS LIMITED

We have audited the Financial Statements of RSA Films Limited for the year ended 30 September 2001 which comprise the Profit and Loss Account, the Balance Sheet and the related notes on pages 6 to 14. The Financial Statements have been prepared under the historical cost convention and the accounting policies are set out therein on page 9.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors Responsibilities on page 3 the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards.

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 inconsistent 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 required by law regarding Directors remuneration and transactions with the Company 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

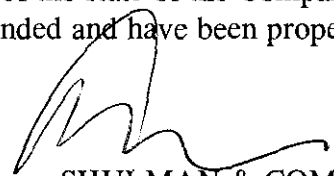
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates 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 the Company's affairs as at 30 September 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

4th Floor  
St George's House  
15 Hanover Square  
London W1S 1HS



SHULMAN & COMPANY

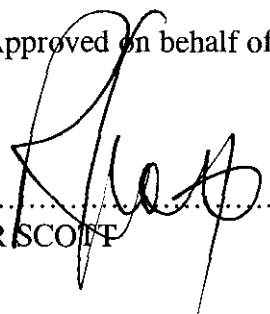
REGISTERED AUDITOR

17 JUNE 2002

BALANCE SHEET AS AT 30 SEPTEMBER 2001

	<u>NOTES</u>	<u>2001</u>	<u>2000</u>
<u>FIXED ASSETS</u>			
Tangible Assets	2	207,524	198,701
<u>CURRENT ASSETS</u>			
Stocks	3	23,691	281,774
Debtors	4	1,449,786	1,996,676
Cash at Bank and In Hand		<u>576,869</u>	<u>1,414,160</u>
		<u>2,050,346</u>	<u>3,692,610</u>
<u>CREDITORS</u>			
Amounts falling due within one year	5	<u>(1,193,964)</u>	<u>(2,767,137)</u>
<u>NET CURRENT ASSETS</u>			
		<u>856,382</u>	<u>925,473</u>
		1,063,906	1,124,174
<u>CREDITORS</u>			
Amounts falling due after more than one year	6	<u>(15,000)</u>	<u>-</u>
<u>NET ASSETS</u>			
		<u>£1,048,906</u>	<u>£1,124,174</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	7	12	12
Profit and Loss Account	8	<u>1,048,894</u>	<u>1,124,162</u>
<u>SHAREHOLDERS FUNDS</u>			
	9	<u>£1,048,906</u>	<u>£1,124,174</u>

Approved on behalf of the Board



.....DIRECTOR  
R SCOTT

6/12/02  
.....DATE

The Notes on pages 9 to 14 form an integral part of these Financial Statements.

PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 30 SEPTEMBER 2001

	<u>NOTES</u>	<u>30 September 2001</u>	<u>1 February 2000 to 30 September 2000</u>
<u>TURNOVER</u>	16	12,193,136	9,957,585
Cost of Sales		(10,573,199)	(8,678,714)
<u>GROSS PROFIT</u>		1,619,937	1,278,871
Distribution Costs		17,844	17,918
Administrative Expenses		1,730,001	1,157,134
		(1,747,845)	(1,175,052)
		(127,908)	103,819
Other Operating Income		-	68,808
Interest Receivable		30,169	21,337
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	10	(97,739)	193,964
Taxation	14	22,471	(57,200)
<u>(LOSS)/RETAINED PROFIT FOR THE FINANCIAL YEAR/PERIOD</u>	8	£ (75,268)	£ 136,764

There were no recognised gains or losses other than those disclosed in the Profit and Loss Account.

The Notes on pages 9 to 14 form an integral part of these Financial Statements.

CASH FLOW STATEMENTFOR THE YEAR ENDED 30 SEPTEMBER 2001

	<u>30 September 2001</u>	<u>1 February 2000 to 30 September 2000</u>
<u>RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</u>		
Operating (Loss)/Profit	(127,908)	103,819
Other Operating Income	-	68,808
Depreciation Charges	63,283	89,484
Decrease/(Increase) in Stocks	258,083	(162,098)
Decrease/(Increase) in Debtors	568,889	(1,115,768)
(Decrease)/Increase in Creditors	<u>(439,972)</u>	<u>1,804,212</u>
	<u>£ (677,625)</u>	<u>£ 788,457</u>
<u>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</u>		
	(677,625)	788,457
<u>Return on Investment</u>		
Interest Received	30,169	21,337
<u>TAXATION</u>		
Corporation Tax Refunded	34,501	30,716
Corporation Tax Paid	(152,230)	-
<u>INVESTING ACTIVITIES</u>		
Payments to acquire Tangible Fixed Assets	<u>(72,106)</u>	<u>(57,505)</u>
<u>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</u>		
	<u>£ (837,291)</u>	<u>£ 783,005</u>
<u>ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</u>		
Balance at 1 October 2000	1,414,160	631,155
Net Cash (Outflow)/Inflow	<u>(837,291)</u>	<u>783,005</u>
Balance at 30 September 2001	<u>£ 576,869</u>	<u>£1,414,160</u>
<u>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET</u>		
Cash at Bank and In Hand: At 30 September 2000	(1,414,160)	(631,155)
At 30 September 2001	<u>576,869</u>	<u>1,414,160</u>
<u>CHANGE IN YEAR/PERIOD</u>	<u>£ 837,291</u>	<u>£ 783,005</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2001

1. ACCOUNTING POLICIES

These Financial Statements are prepared on the following bases:

- (a) In accordance with the historical cost convention.
- (b) Work in progress is stated at the lower of cost and net realisable value.
- (c) Depreciation is provided by the reducing balance method at the rate of 20% per annum on Fixtures, Fittings and Equipment with the exception detailed in (g) below.  
Expenditure on short leasehold premises is written off over the outstanding period of the lease.
- (d) Turnover represents amounts derived from the provision of services within the Company's ordinary activities, exclusive of Value Added Tax.
- (e) Transactions in foreign currency are converted at the rate of exchange prevailing on the day of the transaction. Balances in foreign currency are converted at the rate of exchange prevailing at the Balance Sheet date. Exchange differences are written off in the Profit and Loss Account.
- (f) No provision is made for Deferred Taxation in respect of timing differences as it is considered that no material liability will arise in the foreseeable future.
- (g) Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by a finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 20012. TANGIBLE ASSETS

	<u>Short Leasehold Premises</u>	<u>Fixtures, Fittings and Equipment</u>	<u>Total</u>
<u>Cost:</u>			
At 1 October 2000	170,798	532,084	702,882
Additions	<u>-</u>	<u>72,106</u>	<u>72,106</u>
<u>Balance at 30 September 2001</u>	<u>£170,798</u>	<u>£604,190</u>	<u>£774,988</u>
<u>Depreciation:</u>			
At 1 October 2000	158,146	346,035	504,181
Provided in the Year	<u>12,652</u>	<u>50,631</u>	<u>63,283</u>
<u>Balance at 30 September 2001</u>	<u>£170,798</u>	<u>£396,666</u>	<u>£567,464</u>
<u>Net Book Value:</u>			
At 30 September 2001	<u>£ -</u>	<u>£207,524</u>	<u>£207,524</u>

The net book value of Fixtures, Fittings and Equipment includes assets held under a finance lease and under a hire purchase contract amounting to £25,000 (30.09.2000: £NIL).

	<u>2001</u>	<u>30.09.2000</u>
3. <u>STOCKS</u>		
Work in Progress	<u>£ 23,691</u>	<u>£ 281,774</u>

4. DEBTORSAmounts Falling Due Within One Year:

Trade Debtors	1,116,181	1,691,283
Other Debtors	213,579	239,919
Taxation	22,000	-
Prepayments	97,526	65,474
Investment	<u>500</u>	<u>-</u>
	<u>£1,449,786</u>	<u>£1,996,676</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 2001

	<u>2001</u>	<u>30.09.2000</u>
5. <u>CREDITORS</u>		
<u>Amounts Falling Due Within One Year:</u>		
Payments Received on Account	389,410	1,319,798
Trade Creditors	497,412	900,844
Net Obligation under a Finance Lease	10,000	-
Other Creditors	100,000	100,000
Taxation and Social Security	162,257	255,579
Accruals	<u>34,885</u>	<u>190,916</u>
	<u>£1,193,964</u>	<u>£2,767,137</u>
6. <u>CREDITORS</u>		
<u>Amounts Falling Due After More Than One Year:</u>		
Net Obligation under a Finance Lease	<u>£ 15,000</u>	<u>£ -</u>
7. <u>CALLED UP SHARE CAPITAL</u>		
<u>Authorised:</u>		
5,000 'A' Ordinary Voting Shares of £1 each	5,000	5,000
5,000 'B' Ordinary Non-Voting Shares of £1 each	<u>5,000</u>	<u>5,000</u>
	<u>£ 10,000</u>	<u>£ 10,000</u>
<u>Allotted and Fully Paid:</u>		
12 'A' Ordinary Voting Shares of £1 each	<u>£ 12</u>	<u>£ 12</u>
8. <u>PROFIT AND LOSS ACCOUNT</u>		
(Loss)/Profit for the Financial Year/Period	(75,268)	136,764
Balance Brought Forward	<u>1,124,162</u>	<u>987,398</u>
<u>Balance Carried Forward</u>	<u>£1,048,894</u>	<u>£1,124,162</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 2001

	<u>2001</u>	<u>30.09.2000</u>
9. <u>SHAREHOLDERS FUNDS</u>		
(Loss)/Profit for the Financial Year/Period	(75,268)	136,764
Balance Brought Forward	<u>1,048,906</u>	<u>987,410</u>
<u>Balance Carried Forward</u>	<u>£1,048,906</u>	<u>£1,124,174</u>
		01.02.2000
		to
	<u>30.09.2001</u>	<u>30.09.2000</u>
10. <u>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		
<u>After Charging:</u>		
Directors Remuneration	£ 141,667	£ 148,887
Depreciation and Amortisation	63,283	89,484
Auditors Remuneration	16,240	10,880
	<u>                    </u>	<u>                    </u>
<u>After Crediting:</u>		
Interest Received	£ 30,169	£ 21,337
	<u>                    </u>	<u>                    </u>
11. <u>PARTICULARS OF DIRECTORS AND STAFF</u>		
<u>Staff Costs:</u>		
Wages and Salaries	1,042,099	708,225
Social Security Costs	<u>127,339</u>	<u>77,942</u>
	<u>£1,169,438</u>	<u>£ 786,167</u>
<u>Average Number of Employees:</u>		
The average monthly number of employees during the period, including Directors, was as follows:		
	<u>Number</u>	<u>Number</u>
Production	18	17
Administration	<u>6</u>	<u>6</u>
	24	23
	<u>                    </u>	<u>                    </u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 200112. TRANSACTIONS WITH DIRECTORS

The Company leases its business premises from Mr R Scott, a Director of the Company.

	<u>30.09.2001</u>	<u>30.09.2000</u>
13. <u>OBLIGATIONS UNDER A FINANCE LEASE</u>		

The maturity of these amounts is as follows:

Amounts Payable:

Within One Year

11,209

-

Between Two and Five Years

16,813

-

28,022

-

Less: Finance Charges Allocated to Future Periods

3,022

-

£25,000

£ -

Current Obligations

10,000

-

Non-Current Obligations

15,000

-

£25,000

£ -

14. TAXATION

No provision for UK Corporation Tax is required due to losses incurred. (Period ended 30.09.2000: 30% less Marginal Relief)

UK Corporation Tax

-

(57,200)

Overprovision in Prior Year

471

-

Loss Relief Claim

22,000

-

£ 22,471

£ (57,200)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 2001

	<u>30.09.2001</u>	<u>30.09.2000</u>
15. <u>DEFERRED TAXATION</u>		

The amount not provided for in these  
Financial Statements is as follows:

In respect of timing differences	£ 15,000	£ 11,000
	<u>          </u>	<u>          </u>

16. TURNOVER

The whole of the Company's turnover relates to its principal activity.

The analysis of non-UK markets is as follows:

Europe	12.5%	18%
North America	4.1%	13%
Other	0%	2%

TRADING AND PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 30 SEPTEMBER 2001

01 02.2000

to

30.09.200130.09.2000SALES AND RECEIVABLES

12,193,136

9,957,585

Less:

Work in Progress at 1 September 2000

281,774

119,676

Production Costs

10,315,1168,840,812

10,596,890

8,960,488

Work in Progress at 30 September 2001

(23,691)(281,774)10,573,1998,678,714GROSS PROFIT

1,619,937

1,278,871

OTHER INCOME

Difference on Exchange

-

8,808

Bad Debts Recovered

-

60,000

Interest Receivable

30,16921,337

1,650,106

1,369,016

OVERHEAD EXPENDITURE:SCHEDULEESTABLISHMENT COSTS

1

320,736

202,596

ADMINISTRATION COSTS

2

835,894

646,903

SELLING ANDDISTRIBUTION COSTS

3

430,522

166,442

FINANCIAL COSTS

4

97,410

69,627

DEPRECIATION ANDAMORTISATION

5

63,28389,484(1,747,845)(1,175,052)NET (LOSS)/ PROFIT FOR THE PERIOD/YEAR£ (97,739)£ 193,964

SCHEDULES TO THE TRADING AND PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 30 SEPTEMBER 200101.02.2000  
to30.09.200130.09.20001. ESTABLISHMENT COSTS

Rent, Rates and Services	289,493	184,264
Lighting and Heating	12,340	6,150
Repairs, Renewals and Redecoration	<u>18,903</u>	<u>12,182</u>
	<u>£320,736</u>	<u>£202,596</u>

2. ADMINISTRATION COSTS

Telephone and Fax	88,331	42,072
Insurance	2,268	1,546
Repairs and Maintenance	20,463	10,227
Salaries and National Insurance	338,232	268,680
Printing, Postage and Stationery	31,425	25,329
Computer and Information Technology Costs	41,404	46,141
Cleaning	31,276	14,288
Staff Welfare and Training	91,522	51,763
Motor Car Expenses	27,370	26,464
Books, Magazines and Journals	8,850	3,058
Sundry Expenses	13,086	8,448
Directors Remuneration	<u>141,667</u>	<u>148,887</u>
	<u>£835,894</u>	<u>£646,903</u>

3. SELLING AND DISTRIBUTION COSTS

Advertising and Publicity	240,788	119,445
Marketing and Representation	135,576	-
Travelling and Entertaining	36,314	29,079
Carriage and Delivery	<u>17,844</u>	<u>17,918</u>
	<u>£430,522</u>	<u>£166,442</u>

4. FINANCIAL COSTS

Bank Charges	4,472	2,931
Difference on Exchange	4,186	-
Audit and Accountancy	18,840	13,260
Legal and Professional	69,257	51,518
Finance Lease Charges	655	615
Hire Purchase Interest	<u>-</u>	<u>1,303</u>
	<u>£ 97,410</u>	<u>69,627</u>

5. DEPRECIATION AND AMORTISATION

Fixtures, Fittings and Equipment	50,631	46,145
Short Leasehold Premises	12,652	38,065
Loss on Disposal of Assets	<u>-</u>	<u>5,274</u>
	<u>£ 63,283</u>	<u>£ 89,484</u>