

RSA FILMS LIMITED

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ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

DIRECTORS

R SCOTT
A D L SCOTT
K HSIUNG
D GARVEY

SECRETARY

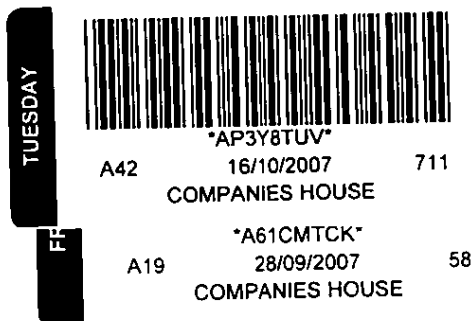
RWL REGISTRARS LIMITED

REGISTERED OFFICE

52 REDINGTON ROAD
LONDON NW3 7RS

REGISTERED AUDITOR

SHULMAN & COMPANY
52 REDINGTON ROAD
LONDON NW3 7RS



ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

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

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REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

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 2006

PRINCIPAL ACTIVITIES

The Principal Activities of the Company during the year were those of Film Production

BUSINESS REVIEW

The Company traded steadily throughout the year 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 year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year.

The Directors consider that in preparing the Financial Statements on pages 6 to 13 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 DIRECTORS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

DIRECTORS

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>2006</u>	<u>2005</u>
	<u>'A' Ord</u>	<u>'A' Ord</u>
R Scott	6	6
A D L Scott	6	6
K Hsiung	-	-
D Garvey	-	-

DIVIDENDS

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

CHARITABLE PAYMENTS

Payments to Charities during the year amounted to £500 (2005 £1,000)

FIXED ASSETS

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

AUDITORS

A Resolution under Section 385 of the Companies Act 1985 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

24/9/07
DATE

TO THE SHAREHOLDERS OF RSA FILMS LIMITED

We have audited the Financial Statements of RSA Films Limited for the year ended 30 September 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes on pages 6 to 13. The 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

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.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and the International Standards on Auditing.

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 information given in the Directors Report is 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 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.

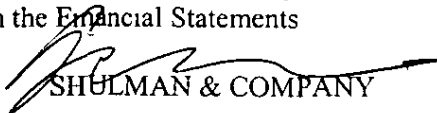
Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing 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 30 September 2006 and of its profit for the year then ended and 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.


SHULMAN & COMPANY

REGISTERED AUDITOR

52 REDINGTON ROAD
LONDON NW3 7RS

26 SEPTEMBER 2007

BALANCE SHEET AS AT 30 SEPTEMBER 2006

	<u>NOTES</u>	<u>2006</u>	<u>2005</u>
<u>FIXED ASSETS</u>			
Tangible Assets	2	27,497	84,213
<u>CURRENT ASSETS</u>			
Debtors	3	4,185,764	4,563,740
Cash at Bank and In Hand		<u>2,455,730</u>	<u>486,803</u>
		6,641,494	5,050,543
		<u> </u>	<u> </u>
<u>CREDITORS</u>			
Amounts falling due within one year	4	<u>(5,444,623)</u>	<u>(4,319,401)</u>
<u>NET CURRENT ASSETS</u>		1,196,871	731,142
		<u> </u>	<u> </u>
<u>NET ASSETS</u>		<u>£1,224,368</u>	<u>£815,355</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	5	12	12
Profit and Loss Account	6	1,224,356	815,343
		<u> </u>	<u> </u>
<u>SHAREHOLDERS FUNDS</u>	7	<u>£1,224,368</u>	<u>£ 815,355</u>

Approved on behalf of the Board

R SCOTT

DIRECTOR

24/9/07

DATE

The Notes on pages 9 to 13 form an integral part of these Financial Statements

PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 30 SEPTEMBER 2006

	<u>NOTES</u>	<u>2006</u>	<u>2005</u>
<u>TURNOVER</u>	13	24,657,926	16,735,262
Cost of Sales		(22,082,781)	(14,826,464)
<u>GROSS PROFIT</u>		<u>2,575,145</u>	<u>1,908,798</u>
Distribution Costs	18,541	18,803	
Administrative Expenses	2,186,868	1,835,137	
		<u>(2,205,409)</u>	<u>(1,853,940)</u>
		<u>369,736</u>	<u>54,858</u>
Rents Receivable		99,091	98,753
Bank Interest Receivable		<u>78,578</u>	<u>29,924</u>
<u>PROFIT ON ORDINARY</u> <u>ACTIVITIES BEFORE TAXATION</u>	8	547,405	183,535
Taxation	11	(138,392)	(25,000)
<u>PROFIT FOR THE</u> <u>FINANCIAL YEAR</u>	6	<u>£ 409,013</u>	<u>£ 158,535</u>

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

The Notes on pages 9 to 13 form an integral part of these Financial Statements

CASH FLOW STATEMENTFOR THE YEAR ENDED 30 SEPTEMBER 2006

	<u>2006</u>	<u>2005</u>
<u>RECONCILIATION OF OPERATING</u>		
<u>PROFIT TO NET CASH OUTFLOW</u>		
<u>FROM OPERATING ACTIVITIES</u>		
Operating Profit	468,827	153,611
Depreciation Charges	70,744	66,669
(Increase)/Decrease in Debtors	377,976	(2,132,830)
Increase/(Decrease) in Creditors	986,830	1,794,938
	<hr/>	<hr/>
	£1,904,377	£(117,612)
	<hr/>	<hr/>
<u>NET CASH INFLOW/(OUTFLOW) FROM</u>		
<u>OPERATING ACTIVITIES</u>	1,904,377	(117,612)
<u>Return on Investment</u>		
Interest Received	78,578	29,924
<u>INVESTING ACTIVITIES</u>		
Payments to Acquire Tangible Fixed Assets	(14,028)	(20,413)
	<hr/>	<hr/>
<u>INCREASE/(DECREASE) IN CASH AND</u>		
<u>CASH EQUIVALENTS</u>	£1,968,927	£(108,101)
	<hr/>	<hr/>
<u>ANALYSIS OF CHANGES IN CASH AND</u>		
<u>CASH EQUIVALENTS DURING THE YEAR</u>		
Balance at 1 October 2005	486,803	594,904
Net Cash Inflow/(Outflow)	<u>1,968,927</u>	<u>(108,101)</u>
Balance at 30 September 2006	<u>£2,455,730</u>	<u>£ 486,803</u>
	<hr/>	<hr/>
<u>ANALYSIS OF THE BALANCES OF CASH</u>		
<u>AND CASH EQUIVALENTS AS SHOWN IN</u>		
<u>THE BALANCE SHEET</u>		
Cash at Bank and In Hand At 30 September 2005	(486,803)	(594,904)
At 30 September 2006	<u>2,455,730</u>	<u>486,803</u>
<u>CHANGE IN YEAR</u>	<u>£1,968,927</u>	<u>£(108,101)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2006

1 ACCOUNTING POLICIES

These Financial Statements are prepared on the following bases

- (a) In accordance with the historical cost convention
- (b) No provision for Work in progress is included due to the provisions of UITF40
- (c) Depreciation is provided by the straight line method to write off Fixtures, Fittings and Equipment over three years
- (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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 20062 TANGIBLE ASSETSFixtures,
Fittings and
EquipmentCost

At 1 October 2005

667,348

Additions

14,028

Disposals

(474,579)

Balance at 30 September 2006£206,797Depreciation

At 1 October 2005

583,135

Provided in the Year

70,744

On Disposals

(474,579)

Balance at 30 September 2006£179,300Net Book Value

At 30 September 2006

£ 27,4973 DEBTORS20062005Amounts Falling Due Within One Year

Trade Debtors

4,002,396

4,426,906

Other Debtors

10,282

25,235

Prepayments

172,586

111,099

Investment

500500£4,185,764£4,563,740

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 2006

	<u>2006</u>	<u>2005</u>
4 <u>CREDITORS</u>		
<u>Amounts Falling Due Within One Year</u>		
Payments Received on Account	1,445,452	767,196
Trade Creditors	2,998,988	2,843,250
Other Creditors	111,050	100,000
Taxation and Social Security	472,478	435,468
Accruals	<u>416,655</u>	<u>173,487</u>
	<u>£5,444,623</u>	<u>£4,319,401</u>
5 <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>
6 <u>PROFIT AND LOSS ACCOUNT</u>		
Balance at 1 October 2005 as previously stated	815,343	672,023
Prior year adjustments		
Work in Progress	-	2,522
Depreciation	-	(17,737)
Balance at 1 October 2005 as restated	<u>815,343</u>	<u>656,808</u>
Profit for the Financial Year	<u>409,013</u>	<u>158,535</u>
Balance at 30 September 2006	<u>£1,224,356</u>	<u>£ 815,343</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 2006

	<u>2006</u>	<u>2005</u>
7		
<u>SHAREHOLDERS FUNDS</u>		
Balance at 1 October 2005 as previously stated	815,355	672,035
Prior year adjustment	-	(15,215)
	<u>815,355</u>	<u>656,820</u>
Balance at 1 October 2005 as restated	815,355	656,820
Profit for the year	<u>409,013</u>	<u>158,535</u>
Balance at 30 September 2006	<u>£1,224,368</u>	<u>£ 815,355</u>
8		
<u>PROFIT ON ORDINARY ACTIVITIES</u>		
<u>BEFORE TAXATION</u>		
<u>After Charging</u>		
Directors Remuneration	£ 490,024	£ 276,300
Depreciation and Amortisation	70,744	66,669
Auditors Remuneration	<u>16,220</u>	<u>15,680</u>
<u>After Crediting</u>		
Interest Receivable	£ 78,578	£ 29,924
Rents Receivable	<u>99,090</u>	<u>98,753</u>
9		
<u>PARTICULARS OF DIRECTORS AND STAFF</u>		
<u>Staff Costs</u>		
Wages and Salaries	1,659,370	1,301,694
Social Security Costs	<u>193,071</u>	<u>147,244</u>
	<u>£ 1,852,441</u>	<u>£ 1,448,938</u>
<u>Average Number of Employees</u>		
The average monthly number of employees during the year, including Directors, was as follows		
	<u>Number</u>	<u>Number</u>
Production	23	23
Administration	<u>9</u>	<u>9</u>
	<u>32</u>	<u>32</u>
The Remuneration of the highest paid Directors was	<u>£314,023</u>	<u>£150,000</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 200610 TRANSACTIONS WITH DIRECTORS

The Company leases its business premises from Mr R Scott, a Director of the Company, under a formal lease

	<u>2006</u>	<u>2005</u>
11 <u>TAXATION</u>		
UK Corporation Tax is provided at 30% less Marginal Relief on the taxable profits for the year (2005 30%)	£135,000	£25,000
Adjustment in respect of prior year	3,392	-
	<u>£138,392</u>	<u>£25,000</u>

12 DEFERRED TAXATION

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

In respect of timing differences	<u>£ 13,000</u>	<u>£ -</u>
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13 TURNOVER

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

The analysis of non-UK markets is as follows

Europe	22 7%	4 9%
North America	9 7%	12 6%
Other	3%	8%

14 COMMITMENTS UNDER AN OPERATING LEASE

At the 30 September 2006 the Company had an annual commitment under a non-cancellable operating lease

	<u>Land and Buildings</u>	
	<u>2006</u>	<u>2005</u>
For One Year	£216,000	£ 87,056
Between Two and Five Years	<u>£216,000</u>	<u>£ -</u>