

RSA FILMS LIMITED

PAGE 1

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2002

DIRECTORS:

R SCOTT  
A D L SCOTT  
K HSIUNG  
D GARVEY

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 2002

CONTENTS:

PAGE      3-4 - DIRECTORS REPORT

5 - AUDITORS REPORT

6 - BALANCE SHEET

7 - PROFIT AND LOSS ACCOUNT

8 - CASH FLOW STATEMENT

9-14 - NOTES TO THE FINANCIAL STATEMENTS

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

15 - TRADING AND PROFIT AND LOSS ACCOUNT

16 - SCHEDULES TO THE TRADING AND PROFIT AND LOSS ACCOUNT

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 SEPTEMBER 2002

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 2002.

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 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 2002DIRECTORS

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>30.09.2002</u>	<u>30.09.2001</u>
		<u>'A' Ordinary</u>	<u>'A' Ordinary</u>
R Scott		6	6
A D L Scott		6	6
A P Harrison	(Resigned 3 January 2003)	-	-
K Hsiung	(Appointed 3 January 2003)	-	-
D Garvey	(Appointed 3 January 2003)	-	-

DIVIDENDS

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

CHARITABLE PAYMENTS

Payments to Charities during the year amounted to £3,753 (2001: £5,133).

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

29/4/2003  
.....  
DATE

TO THE SHAREHOLDERS OF RSA FILMS LIMITED

We have audited the Financial Statements of RSA Films Limited for the year ended 30 September 2002 which comprise the Profit and Loss Account, the Balance Sheet and the related notes on pages 9 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.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing 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

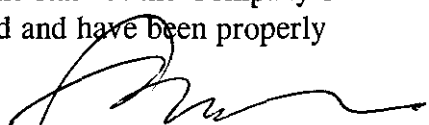
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates 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 2002 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

6 MAY 2003

BALANCE SHEET AS AT 30 SEPTEMBER 2002

	<u>NOTES</u>	<u>2002</u>	<u>2001</u>
<u>FIXED ASSETS</u>			
Tangible Assets	2	175,016	207,524
<u>CURRENT ASSETS</u>			
Stocks	3	217,602	23,691
Debtors	4	2,777,456	1,449,786
Cash at Bank and In Hand		<u>221,538</u>	<u>576,869</u>
		<u>3,216,596</u>	<u>2,050,346</u>
<u>CREDITORS</u>			
Amounts falling due within one year	5	<u>(2,655,916)</u>	<u>(1,193,964)</u>
<u>NET CURRENT ASSETS</u>			
		560,680	856,382
		735,696	1,063,906
<u>CREDITORS</u>			
Amounts falling due after more than one year	6	<u>(5,000)</u>	<u>(15,000)</u>
<u>NET ASSETS</u>			
		<u>£730,696</u>	<u>£1,048,906</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	7	12	12
Profit and Loss Account	8	<u>730,684</u>	<u>1,048,894</u>
<u>SHAREHOLDERS FUNDS</u>			
	9	<u>£730,696</u>	<u>£1,048,906</u>

Approved on behalf of the Board



.....DIRECTOR  
R SCOTT

29/4/2003  
.....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 2002

	<u>NOTES</u>	<u>2002</u>	<u>2001</u>
<u>TURNOVER</u>	16	8,512,306	12,193,136
Cost of Sales		(7,063,895)	(10,573,199)
<u>GROSS PROFIT</u>		1,448,411	1,619,937
Distribution Costs	17,694	17,844	
Administrative Expenses	<u>1,752,710</u>	<u>1,730,001</u>	
		(1,770,404)	(1,747,845)
		(321,993)	(127,908)
Interest Receivable		<u>3,783</u>	<u>30,169</u>
<u>LOSS ON ORDINARY ACTIVITIES</u>			
<u>BEFORE TAXATION</u>	10	(318,210)	(97,739)
Taxation	14	<u>-</u>	<u>22,471</u>
<u>LOSS FOR THE FINANCIAL YEAR</u>	8	<u>£(318,210)</u>	<u>£ (75,268)</u>

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 2002

	<u>2002</u>	<u>2001</u>
<u>RECONCILIATION OF OPERATING</u>		
<u>LOSS TO NET CASH OUTFLOW</u>		
<u>FROM OPERATING ACTIVITIES</u>		
Operating Loss	(321,993)	(127,908)
Depreciation Charges	50,800	63,283
(Increase)/Decrease in Stocks	(193,911)	258,083
(Increase)/Decrease in Debtors	(1,327,670)	568,889
Increase/(Decrease) in Creditors	<u>1,451,952</u>	<u>(1,439,972)</u>
	<u>£ (340,822)</u>	<u>£ (677,625)</u>
<u>NET CASH OUTFLOW FROM</u>		
<u>OPERATING ACTIVITIES</u>		
	(340,822)	(677,625)
<u>Return on Investment</u>		
Interest Received	3,783	30,169
<u>TAXATION</u>		
Corporation Tax Refunded	-	34,501
Corporation Tax Paid	-	(152,230)
<u>INVESTING ACTIVITIES</u>		
Payments to Acquire Tangible Fixed Assets	(18,526)	(72,106)
Receipts from the Sale of Tangible Fixed Assets	<u>234</u>	<u>-</u>
<u>DECREASE IN CASH AND</u>		
<u>CASH EQUIVALENTS</u>		
	<u>£ (355,331)</u>	<u>£ (837,291)</u>
<u>ANALYSIS OF CHANGES IN CASH AND</u>		
<u>CASH EQUIVALENTS DURING THE YEAR</u>		
Balance at 1 October 2001	576,869	1,414,160
Net Cash Outflow	<u>(355,331)</u>	<u>(837,291)</u>
Balance at 30 September 2002	<u>£ 221,538</u>	<u>£ 576,869</u>
<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 2001	(576,869)	(1,414,160)
At 30 September 2002	<u>221,538</u>	<u>576,869</u>
<u>CHANGE IN YEAR</u>	<u>£ 355,331</u>	<u>£ 837,291</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 20021. 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 20022. TANGIBLE ASSETS

	Short Leasehold Premises	Fixtures, Fittings and Equipment	Total
<u>Cost:</u>			
At 1 October 2001	-	604,190	604,190
Additions	8,520	10,006	18,526
Disposal	-	(1,050)	(1,050)
<u>Balance at 30 September 2002</u>	<u>£ 8,520</u>	<u>£613,146</u>	<u>£621,666</u>
<u>Depreciation:</u>			
At 1 October 2001	-	396,666	396,666
Provided in the Year	2,272	48,296	50,568
On Disposal	-	(584)	(584)
<u>Balance at 30 September 2002</u>	<u>£ 2,272</u>	<u>£444,378</u>	<u>£446,650</u>
<u>Net Book Value:</u>			
At 30 September 2002	<u>£ 6,248</u>	<u>£168,768</u>	<u>£175,016</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 £15,000 (2001: £25,000).

	<u>2002</u>	<u>2001</u>
3. <u>STOCKS</u>		
Work in Progress	<u>£ 217,602</u>	<u>£ 23,691</u>

4. DEBTORSAmounts Falling Due Within One Year:

Trade Debtors	2,424,490	1,116,181
Other Debtors	222,967	213,579
Taxation	22,000	22,000
Prepayments	107,499	97,526
Investment	<u>500</u>	<u>500</u>
	<u>£2,777,456</u>	<u>£1,449,786</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 2002

	<u>2002</u>	<u>2001</u>
5. <u>CREDITORS</u>		
<u>Amounts Falling Due Within One Year:</u>		
Bank Overdraft	61,242	-
Payments Received on Account	1,107,218	389,410
Trade Creditors	964,149	497,412
Net Obligation under a Finance Lease	10,000	10,000
Other Creditors	100,000	100,000
Taxation and Social Security	276,055	162,257
Accruals	<u>137,252</u>	<u>34,885</u>
	<u>£2,655,916</u>	<u>£1,193,964</u>
6. <u>CREDITORS</u>		
<u>Amounts Falling Due After More Than One Year:</u>		
Net Obligation under a Finance Lease	<u>£ 5,000</u>	<u>£ 15,000</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 for the Financial Year	(318,210)	(75,268)
Balance Brought Forward	<u>1,048,894</u>	<u>1,124,162</u>
<u>Balance Carried Forward</u>	<u>£ 730,684</u>	<u>£1,048,894</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 2002

	<u>2002</u>	<u>2001</u>
9. <u>SHAREHOLDERS FUNDS</u>		
Loss for the Financial Year	(318,210)	(75,268)
Balance Brought Forward	<u>1,048,906</u>	<u>1,124,174</u>
<u>Balance Carried Forward</u>	<u>£ 730,696</u>	<u>£1,048,906</u>
10. <u>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		
<u>After Charging:</u>		
Directors Remuneration	£ 160,000	£ 141,667
Depreciation and Amortisation	50,800	63,283
Auditors Remuneration	19,680	16,240
	<u>                    </u>	<u>                    </u>
<u>After Crediting:</u>		
Interest Received	£ 3,783	£ 30,169
	<u>                    </u>	<u>                    </u>
11. <u>PARTICULARS OF DIRECTORS AND STAFF</u>		
<u>Staff Costs:</u>		
Wages and Salaries	1,195,238	1,042,099
Social Security Costs	<u>126,186</u>	<u>127,339</u>
	<u>£1,321,424</u>	<u>£1,169,438</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	18	18
Administration	<u>6</u>	<u>6</u>
	24	24
	<u>                    </u>	<u>                    </u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 200212. TRANSACTIONS WITH DIRECTORS

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

	<u>2002</u>	<u>2001</u>
13. <u>OBLIGATIONS UNDER A FINANCE LEASE</u>		
The maturity of these amounts is as follows:		
Amounts Payable:		
Within One Year	11,209	11,209
Between Two and Five Years	<u>5,604</u>	<u>16,813</u>
	16,813	28,022
<u>Less: Finance Charges Allocated to Future Periods</u>	<u>1,813</u>	<u>3,022</u>
	£15,000	£25,000
	<u>£15,000</u>	<u>£25,000</u>
Current Obligations	10,000	10,000
Non-Current Obligations	<u>5,000</u>	<u>15,000</u>
	£15,000	£25,000
	<u>£15,000</u>	<u>£25,000</u>

14. TAXATION

No provision for UK Corporation Tax is required due to losses incurred. (2001: NIL)

UK Corporation Tax	-	-
Overprovision in Prior Year	-	471
Loss Relief Claim	<u>-</u>	<u>22,000</u>
	£ -	£ 22,471
	<u>£ -</u>	<u>£ 22,471</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30 SEPTEMBER 2002

	<u>2002</u>	<u>2001</u>
15. <u>DEFERRED TAXATION</u>		
The amount not provided for in these Financial Statements is as follows:		
In respect of timing differences	£ - <u>          </u>	£ 15,000 <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	19.3%	12.5%
North America	11.2%	4.1%