The Feature Film Company Limited

Directors' report and financial statements

Registered number 2643266

31 March 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

Principal activity and business review

The principal activity of the company is the provision of film, video and other media distribution and promotion services and sales on behalf of third parties and its own account.

On 26 March 2004 Winchester Entertainment plc (the company's ultimate parent undertaking) completed the acquisition of ContentFilm, Inc. ("ContentFilm"), a New York and London based film production and international sales company. Winchester Entertainment plc also placed new ordinary shares to raise £8.5m before expenses to strengthen the balance sheet of the Group, provide additional working capital and fund the costs relating to the acquisition. On the same date Winchester Entertainment plc changed its name to ContentFilm PLC. The impact of these events on the company are explained further in note 14 to the financial statements.

Results and dividends

The profit for the period was £387,020 *(2002:profit £95,374).*

No dividends were paid or proposed during the year *(2002: £nil).*

Directors and directors' interests

The directors of the company who served during the period were as follows:

MD Southworth
G Smith [1]
LJB Gornall [2]
SK Taylor

[1] Resigned 22 October 2003
[2] Appointed 1 November 2002

The directors' interests in the share capital of the ultimate parent company, ContentFilm PLC (formerly Winchester Entertainment plc), are disclosed in the annual report of that company.

None of the directors who held office at 31 March 2003 had interests in the share capital of the company *(2002: none).*

Auditors

A resolution was passed at the annual general meeting for the re-appointment of KPMG Audit Plc as auditors of the Company.

By order of the board

MD Southworth
Director

19 Heddon Street
London
W1R 7LF

28 June 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

Independent auditors' report to the members of The Feature Film Company Limited

We have audited the financial statements on pages 4 to 10.

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

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 not 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 specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with 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 31 March 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

28 June 2004

Profit and loss account
for the year ended 31 March 2003

	Note	2003 £	2002 £
Turnover	2	**597,755**	152,439
Cost of sales		**(209,870)**	(10,342)
Gross profit		**387,885**	142,097
Administrative expenses		**(696)**	(3,734)
Operating profit	3	**387,189**	138,363
Interest receivable	5	**31**	11
Profit on ordinary activities before taxation		**387,220**	138,374
Tax on profit on ordinary activities	6	**(200)**	(43,000)
Profit on ordinary activities after taxation		**387,020**	95,374
Profit and loss account brought forward		**(177,056)**	(272,430)
Profit and loss account carried forward		**209,964**	(177,056)

Turnover and results reported above all relate to continuing operations.

Statement of total recognised gains and losses
for the year ended 31 March 2003

There were no recognised gains or losses during either period other than the results reported above.

Balance sheet
at 31 March 2003

	Notes	**2003**	2002
		£	£
Current assets			
Debtors	7	**704,724**	408,988
Cash at bank and in hand		**30,836**	222,528
		735,560	631,516
Creditors: amounts falling due within one year	8	**(274,237)**	(547,122)
Net current liabilities and total assets less current liabilities		**461,323**	84,394
Creditors: amounts falling due after more than one year	9	**(250,359)**	(260,450)
Net assets / (liabilities)		**210,964**	(176,056)
Capital and reserves			
Called up share capital	10	**1,000**	1,000
Profit and loss account		**209,964**	(177,056)
Equity shareholders' funds / (deficit)	11	**210,964**	(176,056)

These financial statements were approved by the board of directors on 28 June 2004 and were signed on its behalf by:

MD Southworth
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention.

Film and Video promotion and distribution expenditure

Promotion and distribution expenditure is carried forward as work in progress to the extent that the expenditure is fully recoverable against future revenue from that release.

Income recognition

Non-refundable licensing agreement advances, guarantees and subsequent royalties are accounted for on a receivable basis. Income from the sale of a share in intellectual property rights is recognised on a receivable basis when the sale becomes unconditional.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Cash flow statement

A cash flow statement has not been prepared because the company is a wholly owned subsidiary of ContentFilm PLC (formerly Winchester Entertainment plc) and the financial statements of that company contain a consolidated cash flow statement dealing with the cash flows of its group.

Related party disclosures

Under Financial Reporting Standard 8, the company is exempt from the disclosure of transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of ContentFilm PLC (formerly Winchester Entertainment plc) and its results are included in the consolidated financial statements of that company.

Notes *(continued)*

2 Turnover

Turnover, which excludes value added tax, represents fees generated for distribution and promotional services earned and is principally derived in the UK.

3 Operating profit

Included in operating profit are foreign exchange gains of £709. Audit fees are borne by a fellow group company.

4 Staff numbers and costs

The average number of persons (including directors) employed by the company during the year was as follows:

	Number of employees	
	2003	2002
Selling and marketing	**3**	2
Administrative	**2**	2
	5	4

Staff costs and directors emoluments have been borne by a fellow subsidiary undertaking.

5 Net interest receivable

	2003	2002
	£	£
Bank interest receivable	**31**	11

Notes *(continued)*

6 Tax on profit on ordinary activities

	2003	2002
	£	£
UK current tax:		
Corporation tax on the results for the period	**200**	43,000

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2002: higher)* than the standard rate of corporation tax in the UK (30%) *(2002: 30%)*. The differences are explained below:

	2003	2002
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**387,220**	138,374
Current tax charge at 30% *(2002: 30%)*	**116,166**	41,512
Effects of:		
Expenses not deductible for tax purposes	**-**	1,488
Accelerated capital allowances	**189**	-
Group Relief	**(116,555)**	
Total current tax charge (see above)	**200**	43,000

7 Debtors

	2003	2002
	£	£
Trade debtors	**91,228**	68,361
Other debtors	**35,055**	340,627
Prepayments and Accrued Income	**46,220**	-
Amounts owed by group undertakings	**532,221**	-
	704,724	408,988

Notes *(continued)*

8 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	**15,956**	55,282
Corporation tax	**43,000**	-
Other creditors	**66,088**	341,377
Other taxation and social security	**11,836**	51,791
Accruals and Deferred Income	**137,357**	98,672
	274,237	547,122

9 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Amounts owed to group undertakings	**250,359**	260,450

10 Share capital

	2003 £	2002 £
Authorised, allotted, called up and fully paid:		
1,000 ordinary shares of £1 each	**1,000**	1,000

11 Reconciliation of movement in shareholders' funds

	2003 £	2002 £
Retained profit for the financial year	**387,020**	95,374
Shareholders' deficit brought forward	**(176,056)**	(271,430)
Shareholders' funds / (deficit) carried forward	**210,964**	(176,056)

12 Capital commitments

There were no capital commitments at 31 March 2003 *(2002: £nil).*

13 Ultimate parent company

The company is controlled by ContentFilm PLC (formerly Winchester Entertainment plc), the ultimate parent company, which is also the ultimate controlling party. The only group in which the results of the company are consolidated is that headed by ContentFilm PLC. The consolidated accounts of this company are available to the public and may be obtained from Companies House.

14 Post Balance Sheet Events

On 3 December 2003 Winchester Entertainment plc (the company's ultimate parent undertaking) announced the acquisition, conditional upon the approval of shareholders, of ContentFilm, Inc. ("ContentFilm"), a New York and London based film production and international sales company. Winchester Entertainment plc also announced that it had conditionally placed new ordinary shares to raise £8.5m before expenses to strengthen the balance sheet of the Group, provide additional working capital and fund the costs relating to the acquisition. Winchester Entertainment plc's shareholders approved the acquisition on 26 March 2004 and on that date Winchester Entertainment plc changed its name to ContentFilm PLC.

Following the acquisition, the enlarged group has implemented a number of restructuring initiatives to combine the two businesses operationally and to align the overall strategy of the enlarged group. These restructuring initiatives include the transfer of all film sales activity to ContentFilm Inc.'s sales team and the closure of Winchester Entertainment plc's office in Los Angeles. All of Winchester Entertainment plc's staff involved in these activities have been made redundant. Costs incurred in respect of direct restructuring actions, including redundancy costs, have largely been borne directly by Winchester Entertainment plc.