Winchester Jellabies Limited

Directors' report and financial statements

Registered number 2992486

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

The principal activity of the company is the production of the children's television series "Jellabies". The directors present their annual report and the audited financial statements for the year ended 31 March 2003. 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 15 to the financial statements.

Results and dividends

The loss for the financial year was £282,816 *(2002: £1,333,001)*. No dividends were paid or proposed during the year *(2002: £nil)*.

Directors and directors' interests

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

G Smith	(Resigned 22 October 2003)
MCC Prince	(Resigned 30 September 2002)
R Payne	(Appointed 22 October 2003)
S Taylor	

The interests of G Smith and SK Taylor 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 had any beneficial interest in the share capital of the company at any time during the year.

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

R Payne
Director

19 Heddon Street
London
W1B 4BG

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 Winchester Jellabies Limited

We have audited the financial statements on pages 4 to 11.

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 loss for the year 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	-	-
Cost of sales		**(190,018)**	(1,419,001)
Gross loss		**(190,018)**	(1,419,001)
Administrative expenses		**(8,722)**	-
Operating loss		**(198,740)**	(1,419,001)
Interest payable		**(76)**	-
Loss on ordinary activities before taxation		**(198,816)**	(1,419,001)
Tax (charge) / credit on loss on ordinary activities	6	**(84,000)**	86,000
Loss for the financial year		***(282,816)***	*(1,333,001)*
Profit and loss account brought forward		**(1,249,387)**	83,614
Profit and loss account carried forward		**(1,532,203)**	(1,249,387)

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 year other than the results reported above.

Balance sheet
at 31 March 2003

	Note	**2003**	2002
		£	£
Current assets			
Stocks	*7*	**394,819**	710,960
Debtors	*8*	**36,377**	97,599
Cash at bank and in hand		**-**	7,167
		431,196	815,726
Creditors: amounts falling due within one year	*9*	**(516)**	(2,065,111)
Net current assets and total assets less current liabilities		**430,680**	(1,249,385)
Creditors: amounts falling due after more than one year	*10*	**(1,962,881)**	-
Net Liabilities		**(1,532,201)**	(1,249,385)
Capital and reserves			
Called up share capital	*11*	**2**	2
Profit and loss account		**(1,532,203)**	(1,249,387)
Equity shareholders' deficit	*12*	**(1,532,201)**	(1,249,385)

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

R Payne
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 company's financial statements.

Basis of preparation
The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by ContentFilm PLC (formerly Winchester Entertainment plc), the company's ultimate holding undertaking. ContentFilm PLC has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of television project inventory, cost is taken as direct costs incurred for the production of television projects which includes finance charges and legal expenses, less any foreseeable losses. Interest on any loans taken out to fund specific production costs is capitalised until the date of completion. Television project inventory is appraised at each balance sheet date and is amortised over a maximum amortisation period of ten years. In respect of the maximum amortisation period of ten years and the resultant carrying value at each balance sheet date due regard is given to the requirement for current assets to be held at the lower of cost and net realisable value. Net realisable value is calculated having regard to the present value of estimated sales less further costs of completion and unrecoupable sales expenses.

Income recognition

Income from the exploitation of television rights is recognised on a receivable basis, except where payment is dependent on the television project being completed or delivered, in which case income is recognised on completion or delivery.

Currency translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred or accelerated 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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

2 Turnover

Turnover which excludes value added tax represents sales of the television series "Jellabies" and licensing of other rights in the series.

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2003	2002
	£	£
Exchange loss	**7,167**	-

Audit fees are borne by a fellow group undertaking.

4 Staff numbers and costs

The company had no employees during the year *(2002: nil)* other than its directors, none of whom received any remuneration.

5 Directors' emoluments

None of the directors received any remuneration from the company during the year *(2002: £Nil).*

Notes *(continued)*

6 Tax on loss on ordinary activities

	2003	2002
	£	£
UK current tax:		
Corporation tax credit on the results for the year	-	(83,000)
Adjustment in respect of prior year	**84,000**	(3,000)
Total current tax charge/(credit)	**84,000**	(86,000)

Factors affecting the tax charge for the current period

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

	2003	2002
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	**(198,816)**	(1,419,001)
Current tax credit at 30% *(2002: 30%)*	**(59,645)**	(425,700)
Effects of:		
Expenses not deductible for tax purposes	**120**	-
Tax losses carried forward	**59,525**	342,700
Adjustments to tax charge in respect of previous periods	**84,000**	(3,000)
Total current tax charge/(credit) (see above)	**84,000**	(86,000)

Factors affecting future tax charges

The company has unutilised tax losses of £1,143,000 for which no deferred tax asset has been recognised.

Notes *(continued)*

7 Stocks

	2003 £	2002 £
Television project inventory	**394,819**	710,960

8 Debtors

	2003 £	2002 £
Other debtors	-	14,932
Corporation tax recoverable	**1,667**	82,667
Amounts owed by group undertakings	**34,710**	-
	36,377	97,599

9 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	-	88,245
Amounts owed to group undertakings	-	1,976,866
Corporation tax	-	-
Bank overdraft	**516**	-
	516	2,065,111

10 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Amounts owed by group undertakings	**1,962,881**	-

Notes *(continued)*

11 Share capital

	2003	2002
	£	£
Authorised:		
100 ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	**2**	2

12 Reconciliation of movement in shareholders' deficit

	2003	2002
	£	£
Loss for the financial year	**(282,816)**	(1,333,001)
Shareholders' (deficit) / funds brought forward	**(1,249,385)**	83,616
Shareholders' deficit carried forward	**(1,532,201)**	(1,249,385)

13 Capital commitments

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

14 Ultimate controlling party

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.

Notes *(continued)*

15 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. While these actions are considered to be in the best long term interests of the enlarged group, the change in the enlarged group's sales focus has significantly reduced the expected recoverable amount in respect of Winchester Entertainment plc's film and television inventory assets. The impairment to these assets is caused by post balance sheet events and, accordingly, is not reflected in the amounts recognised as stock in these financial statements, which continue to reflect conditions at the balance sheet date (ie before the acquisition of ContentFilm). The impairment arising from the acquisition of ContentFilm Inc. in respect of the company's stock not reflected in these accounts is £5,000. Costs incurred in respect of direct restructuring actions, including redundancy costs, have largely been borne directly by Winchester Entertainment plc.