

COMPANY REGISTRATION NUMBER 03148461

**ZENITH ENTERTAINMENT LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 JULY 2005**



A108 \*ANN31BGW\* 176  
COMPANIES HOUSE 23/12/2005

**unw LLP**  
Chartered Accountants & Registered Auditors  
Citygate  
St James' Boulevard  
Newcastle upon Tyne  
NE1 4JE

# **ZENITH ENTERTAINMENT LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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**The board of directors**

D I Rendall  
A M Fairholm  
S M Veale  
A Rhymer  
J Ingram

**Company secretary**

Cargil Management Services Limited

**Registered office**

43-45 Dorset Street  
London  
W1U 7NA

**Auditors**

**unw LLP**  
Chartered Accountants  
& Registered Auditors  
Citygate  
St James' Boulevard  
Newcastle upon Tyne  
NE1 4JE

**Bankers**

Barclays Bank PLC  
27 Soho Square  
London  
W1A 4WA

# **ZENITH ENTERTAINMENT LIMITED**

## **THE DIRECTORS' REPORT**

**YEAR ENDED 31 JULY 2005**

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The directors present their report and the financial statements of the company for the year ended 31 July 2005.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the financial year was the production of television programmes and the subsequent distribution and commercial exploitation of the current and existing programme slate.

During the financial year the trading results for the period were significantly improved on the previous year, this was achieved through a combination of securing new business, consolidating the existing business and the constant review and cost effective management of the overheads. This has enabled the Directors to deliver an EBITDA of circa £430K.

The Directors believe this process will continue through to 2006 and that the company will continue to deliver a positive EBITDA and have budgeted for the forthcoming year accordingly.

### **RESULTS AND DIVIDENDS**

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

### **DIRECTORS**

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

D I Rendall  
A M Fairholm  
S M Veale  
A Rhymer

J Ingram was appointed as a director on 17 August 2005.

The interests of D I Rendall, A M Fairholm, S M Veale and A Rhymer who are directors of Zenith Group Limited, are disclosed in the financial statements of that company.

None of the directors held an interest in the share capital of the company at 31 July 2005.

### **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 of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on page 8, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# ZENITH ENTERTAINMENT LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 JULY 2005

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### AUDITORS

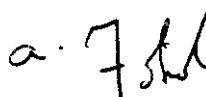
A resolution to re-appoint **unw LLP** as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:  
43-45 Dorset Street  
London  
W1U 7NA

D Rendall  
Director

Approved by the directors on 2 November 2005

Signed on behalf of the directors



A M Fairholm  
Director

# **ZENITH ENTERTAINMENT LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ZENITH ENTERTAINMENT LIMITED**

**YEAR ENDED 31 JULY 2005**

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We have audited the financial statements of Zenith Entertainment Limited for the year ended 31 July 2005 on page 6 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

*This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 shareholders 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 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 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.

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.

### **GOING CONCERN**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements on the appropriateness of the going concern basis. In view of this uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

## **ZENITH ENTERTAINMENT LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ZENITH ENTERTAINMENT LIMITED *(continued)***

**YEAR ENDED 31 JULY 2005**

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#### **OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2005 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Citygate  
St James' Boulevard  
Newcastle upon Tyne  
NE1 4JE

2 November 2005

*unw LLP*

**unw LLP**  
Chartered Accountants  
& Registered Auditors

# ZENITH ENTERTAINMENT LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 JULY 2005

|   | Note     | 2005<br>£                 | 2004<br>£                 |
|---|----------|---------------------------|---------------------------|
| <b>TURNOVER</b>   | <b>3</b> | <b>17,574,856</b>         | 14,317,281                |
| Cost of sales   |          | <u>15,272,031</u>         | <u>12,085,116</u>         |
| <b>GROSS PROFIT</b>   |          | <b>2,302,825</b>          | 2,232,165                 |
| Administrative expenses   |          | <u>1,874,609</u>          | 2,321,783                 |
| Other operating income  |          | <u>(1,441)</u>            | <u>(1,322)</u>            |
| <b>Operating profit/(loss) before depreciation and amortisation of programme rights</b> |          | <b>429,657</b>            | (88,296)                  |
| Amortisation of programme rights  |          | <u>40,000</u>             | 60,000                    |
| Depreciation  |          | <u>40,614</u>             | <u>51,914</u>             |
| <b>OPERATING PROFIT/(LOSS)</b>  | <b>4</b> | <b>349,043</b>            | (200,210)                 |
| Interest payable and similar charges  | <b>7</b> | <u>32,515</u>             | 63,334                    |
| <b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>                             |          | <b>316,528</b>            | (263,544)                 |
| Tax on profit/(loss) on ordinary activities   | <b>8</b> | <u>—</u>                  | <u>—</u>                  |
| <b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>                                    |          | <b>316,528</b>            | (263,544)                 |
| Balance brought forward   |          | <u>(6,362,794)</u>        | <u>(6,099,250)</u>        |
| Balance carried forward   |          | <u><b>(6,046,266)</b></u> | <u><b>(6,362,794)</b></u> |

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on page 6 form part of these financial statements.

# ZENITH ENTERTAINMENT LIMITED

## BALANCE SHEET

31 JULY 2005

|   | Note | 2005<br>£          | 2004<br>£          |
|---|------|--------------------|--------------------|
| <b>FIXED ASSETS</b>                                   |      |                    |                    |
| Intangible assets                                     | 9    | —                  | 40,000             |
| Tangible assets                                       | 10   | 100,400            | 123,174            |
| Investments   | 11   | 3                  | 3                  |
|   |      | <u>100,403</u>     | <u>163,177</u>     |
| <b>CURRENT ASSETS</b>                                 |      |                    |                    |
| Debtors   | 12   | 1,329,586          | 1,191,277          |
| Cash at bank and in hand                              |      | 1,546,061          | 20,807             |
|   |      | <u>2,875,647</u>   | <u>1,212,084</u>   |
| <b>CREDITORS: Amounts falling due within one year</b> | 13   | <u>7,392,078</u>   | <u>6,107,817</u>   |
| <b>NET CURRENT LIABILITIES</b>                        |      | <u>(4,516,431)</u> | <u>(4,895,733)</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |      | <u>(4,416,028)</u> | <u>(4,732,556)</u> |
| <b>CAPITAL AND RESERVES</b>                           |      |                    |                    |
| Called-up equity share capital                        | 16   | 10,609             | 10,609             |
| Share premium account                                 | 17   | 1,049,369          | 1,049,369          |
| Other reserves  | 18   | 570,260            | 570,260            |
| Profit and loss account                               |      | <u>(6,046,266)</u> | <u>(6,362,794)</u> |
| <b>DEFICIENCY</b>                                     | 19   | <u>(4,416,028)</u> | <u>(4,732,556)</u> |

These financial statements were approved by the directors on the 2 November 2005 and are signed on their behalf by:

  
D. RENDALL

  
A M FAIRHOLM

The notes on page 7 form part of these financial statements.

# ZENITH ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2005

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### 1. BASIS OF PREPARING THE FINANCIAL STATEMENTS

The Company has reported a profit of £316,528 for the year ended 31 July 2005 (2004 loss £263,544) The Balance sheet at this date shows a deficiency of £4,416,028 (2004 £4,732,556) together with net current liabilities of £4,516,431 (2004 £4,895,733).

In preparing these Financial Statements the Directors have paid particular attention in assessing going concern. The directors have prepared detailed financial projections covering a period of 12 months beyond the date of signing these accounts.

Due to the profitability forecast in the financial projections along with the continuing availability of parent company support and banking facilities via a group overdraft arrangement, the directors believe that it is appropriate to prepare the financial statements on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The financial statements do not include any adjustments that would result if banking facilities proved to be inadequate

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare group accounts, incorporating the results and net assets and liabilities of its subsidiaries and associated undertakings, as it is itself a wholly owned subsidiary of a larger UK Group.

### 2. ACCOUNTING POLICIES

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention.

#### **Cash flow statement**

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

#### **Related parties transactions**

The company has taken advantage of the exemption in Financial Reporting Standard 8 from reporting related party transactions with its holding company and the fellow subsidiaries as the company is included within the consolidated accounts of the holding company.

#### **Turnover**

##### **Programme productions**

Production costs are brought into account as incurred. Production advances are recognised pro-rata to costs incurred. Production fees are brought into account when cash is received. Benefits resulting from underspends on productions are only recognised on completion of the production. Where overspend on a production is foreseeable in advance of completion and is material, such amount is recognised over the period of the production.

#### **Exploitation of programme rights**

Income on all contracts for exploitation of programme rights is recognised at the earlier of when receivable or accounted for by the distributor or payer.

#### **Programme rights and origination costs**

Purchased programme rights are stated at the lower of cost less amortisation, or market value.

#### **Fixed assets**

All fixed assets are initially recorded at cost.

# ZENITH ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2005

### 2. ACCOUNTING POLICIES (Continued)

#### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

|                    |                              |
|--------------------|------------------------------|
| Leasehold Property | - Over the term of the lease |
| Plant & Machinery  | - 25% to 33.33% on cost      |

#### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### Pension costs

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

The company operates a defined contribution pension scheme for the benefit of certain employees. The assets of the scheme are administered by the trustees in a fund independent from those of the group.

#### Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS 19. Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Deferred tax assets are recognised when it is more likely than not that they will be recovered. The company has not adopted a policy of discounting deferred tax assets and liabilities. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

### 3. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

|                | 2005<br>£         | 2004<br>£         |
|----------------|-------------------|-------------------|
| United Kingdom | <u>17,574,856</u> | <u>14,317,281</u> |

### 4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

|  | 2005<br>£    | 2004<br>£    |
|--|--------------|--------------|
| Amortisation of catalogue and programme rights | 40,000       | 60,000       |
| Depreciation of owned fixed assets             | 40,614       | 51,914       |
| Profit on disposal of fixed assets             | (1,441)      | (1,322)      |
| Auditors' remuneration                         |              |              |
| - as auditors                                  | 12,850       | 12,000       |
| - for other services                           | <u>7,000</u> | <u>7,000</u> |

# ZENITH ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2005

### 5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

|                                      | 2005      | 2004      |
|--------------------------------------|-----------|-----------|
|                                      | No        | No        |
| Number of production staff           | 12        | 12        |
| Number of management and admin staff | 7         | 10        |
|                                      | <u>19</u> | <u>22</u> |

The aggregate payroll costs of the above were:

|                       | 2005             | 2004             |
|-----------------------|------------------|------------------|
|                       | £                | £                |
| Wages and salaries    | 1,139,094        | 1,338,099        |
| Social security costs | 138,525          | 180,000          |
| Other pension costs   | 55,334           | 182,542          |
|                       | <u>1,332,953</u> | <u>1,700,641</u> |

The staff numbers disclosed relate solely to company management and admin employees. Production staff costs are included within cost of sales. Such staff are not seen as permanent employees of the company due to the temporary nature of each programme production.

### 6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

|  | 2005           | 2004           |
|--|----------------|----------------|
|  | £              | £              |
| Emoluments receivable  | 235,682        | 353,499        |
| Non executive directors fees                                     | 20,000         | 33,500         |
| Value of company pension contributions to money purchase schemes | 19,610         | 38,734         |
| Compensation for loss of directorship                            | -              | 75,715         |
|  | <u>275,292</u> | <u>445,214</u> |

The number of directors who accrued benefits under company pension schemes was as follows:

|                        | 2005     | 2004     |
|------------------------|----------|----------|
|                        | No       | No       |
| Money purchase schemes | <u>2</u> | <u>2</u> |

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

|                                     | 2005          | 2004          |
|-------------------------------------|---------------|---------------|
|                                     | £             | £             |
| Interest payable on bank borrowings | <u>32,515</u> | <u>63,334</u> |

# ZENITH ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2005

### 8. TAXATION ON ORDINARY ACTIVITIES

#### Factors affecting current tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2004 - 19%).

|  | 2005<br>£      | 2004<br>£        |
|--|----------------|------------------|
| Profit/(loss) on ordinary activities before taxation   | <u>316,528</u> | <u>(263,544)</u> |
| Profit on ordinary activities by the small companies rate of corporation tax at 19% (2003:19%) | 60,140         | (50,073)         |
| Expenditure not deductible for tax purposes  | 13,291         | 4,896            |
| Capital allowances in advance of depreciation and amortisation                                 | 613            | 481              |
| Losses carried forward   | (74,044)       | 44,696           |
| Group relief   | —              | —                |
| Total current tax  | <u>—</u>       | <u>—</u>         |

### 9. INTANGIBLE FIXED ASSETS

|                                   | Programme rights<br>£ |
|-----------------------------------|-----------------------|
| <b>COST</b>                       |                       |
| At 1 August 2004 and 31 July 2005 | <u>11,291,168</u>     |
| <b>AMORTISATION</b>               |                       |
| At 1 August 2004                  | 11,251,168            |
| Charge for the year               | 40,000                |
| At 31 July 2005                   | <u>11,291,168</u>     |
| <b>NET BOOK VALUE</b>             |                       |
| At 31 July 2005                   | <u>—</u>              |
| At 31 July 2004                   | <u>40,000</u>         |

# ZENITH ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2005

### 10. TANGIBLE FIXED ASSETS

|                        | Short<br>leasehold<br>improvements<br>£ | Plant &<br>Machinery<br>£ | Total<br>£     |
|------------------------|---|---------------------------|----------------|
| <b>COST</b>            |   |                           |                |
| At 1 August 2004       | 116,926                                 | 445,390                   | 562,316        |
| Additions              | –                                       | 19,923                    | 19,923         |
| Disposals              | –                                       | (6,550)                   | (6,550)        |
| <b>At 31 July 2005</b> | <u>116,926</u>                          | <u>458,763</u>            | <u>575,689</u> |
| <b>DEPRECIATION</b>    |   |                           |                |
| At 1 August 2004       | 23,386                                  | 415,756                   | 439,142        |
| Charge for the year    | 23,384                                  | 17,230                    | 40,614         |
| On disposals           | –                                       | (4,467)                   | (4,467)        |
| <b>At 31 July 2005</b> | <u>46,770</u>                           | <u>428,519</u>            | <u>475,289</u> |
| <b>NET BOOK VALUE</b>  |   |                           |                |
| <b>At 31 July 2005</b> | <u>70,156</u>                           | <u>30,244</u>             | <u>100,400</u> |
| At 31 July 2004        | <u>93,540</u>                           | <u>29,634</u>             | <u>123,174</u> |

### 11. INVESTMENTS

#### Interest in subsidiary undertakings

|                                   | £              |
|-----------------------------------|----------------|
| <b>COST</b>                       |                |
| At 1 August 2004 and 31 July 2005 | <u>645,711</u> |
| <b>AMOUNTS WRITTEN OFF</b>        |                |
| At 1 August 2004 and 31 July 2005 | <u>645,708</u> |
| <b>NET BOOK VALUE</b>             |                |
| <b>At 31 July 2005</b>            | <u>3</u>       |
| At 31 July 2004                   | <u>3</u>       |

At 31 July 2005 the group and the company held 50% or more of the equity of the following companies:

|                            | Nature of<br>business | Class of<br>share<br>capital<br>held | Proportion held |
|----------------------------|-----------------------|--------------------------------------|-----------------|
| Prospect Number 23 Limited | Dormant               | Ordinary                             | 100%            |
| Workhouse Limited          | Dormant               | Ordinary                             | 100%            |
| Team Programmes Limited    | Dormant               | Ordinary                             | 100%            |

# ZENITH ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2005

### 12. DEBTORS

|                                | 2005<br>£        | 2004<br>£        |
|--------------------------------|------------------|------------------|
| Trade debtors                  | 903,480          | 827,737          |
| Other debtors                  | 33,225           | 34,059           |
| Prepayments and accrued income | 392,881          | 329,481          |
|                                | <u>1,329,586</u> | <u>1,191,277</u> |

### 13. CREDITORS: Amounts falling due within one year

|   | 2005<br>£        | 2004<br>£        |
|---|------------------|------------------|
| Bank loans and overdrafts                               | —                | 898,576          |
| Trade creditors   | 713,004          | 470,971          |
| Amounts owed to group undertakings                      | 3,817,696        | 2,665,976        |
| Other creditors including taxation and social security: |                  |                  |
| PAYE and social security                                | 989,410          | 717,412          |
| Other creditors   | <u>4,999</u>     | <u>12,980</u>    |
|   | 994,409          | 730,392          |
| Accruals and deferred income                            | <u>1,866,969</u> | <u>1,341,902</u> |
|   | <u>7,392,078</u> | <u>6,107,817</u> |

The following liabilities disclosed under creditors falling due within one year are secured by the company:

|                           | 2005<br>£ | 2004<br>£      |
|---------------------------|-----------|----------------|
| Bank loans and overdrafts | <u>—</u>  | <u>898,576</u> |

### 14. COMMITMENTS UNDER OPERATING LEASES

At 31 July 2005 the company had annual commitments under non-cancellable operating leases as set out below.

|                                | 2005                  |                  | 2004                  |                  |
|--------------------------------|-----------------------|------------------|-----------------------|------------------|
|                                | Land & Buildings<br>£ | Other Items<br>£ | Land & Buildings<br>£ | Other Items<br>£ |
| Operating leases which expire: |                       |                  |                       |                  |
| Within 1 year                  | —                     | 11,321           | —                     | 3,767            |
| Within 2 to 5 years            | —                     | 8,764            | —                     | 22,195           |
| After more than 5 years        | 159,515               | —                | 159,515               | —                |
|                                | <u>159,515</u>        | <u>20,085</u>    | <u>159,515</u>        | <u>25,962</u>    |

### 15. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in Financial Reporting Standard 8 from reporting related party transactions with its holding company and the fellow subsidiaries as the company is included within the consolidated accounts of the holding company.

# ZENITH ENTERTAINMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2005

### 16. SHARE CAPITAL

#### Authorised share capital:

|  | 2005             | 2004             |
|--|------------------|------------------|
|  | £                | £                |
| 34,548,932 Ordinary shares of £0.001 each  | 34,549           | 34,549           |
| 990,451,068 Deferred shares of £0.001 each | 990,451          | 990,451          |
|  | <u>1,025,000</u> | <u>1,025,000</u> |

#### Allotted, called up and fully paid:

|                                | 2005              |               | 2004              |               |
|--------------------------------|-------------------|---------------|-------------------|---------------|
|                                | No                | £             | No                | £             |
| Ordinary shares of £0.001 each | <u>10,609,170</u> | <u>10,609</u> | <u>10,609,170</u> | <u>10,609</u> |

### 17. SHARE PREMIUM ACCOUNT

There was no movement on the share premium account during the financial year.

### 18. OTHER RESERVES

|                            | 2005           | 2004           |
|----------------------------|----------------|----------------|
|                            | £              | £              |
| Capital redemption reserve | <u>570,260</u> | <u>570,260</u> |

### 19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|                                      | 2005               | 2004               |
|--------------------------------------|--------------------|--------------------|
|                                      | £                  | £                  |
| Profit/(Loss) for the financial year | 316,528            | (263,544)          |
| Opening shareholders' equity deficit | <u>(4,732,556)</u> | <u>(4,469,012)</u> |
| Closing shareholders' equity deficit | <u>(4,416,028)</u> | <u>(4,732,556)</u> |

### 20. SIGNIFICANT TRANSACTIONS - FILM SALE AND LEASEBACK

At 31 July 2005 the company had financed certain productions by sale and leaseback arrangements. These arrangements give rise to a profit for the company, which is recognised when the transaction is carried out, and a residual leasing obligation, which is covered and met out of an Escrow account. Accordingly the sums are not separately disclosed on the company balance sheet. The balances were as follows:

|               | 2005                | 2004                |
|---------------|---------------------|---------------------|
|               | £                   | £                   |
| Deposits held | 13,020,351          | 13,556,184          |
| Finance lease | <u>(13,020,351)</u> | <u>(13,556,184)</u> |

### 21. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of Zenith Group Limited which is incorporated in England and Wales. Zenith Group Limited is the company's ultimate holding company. Copies of the accounts of Zenith Group Limited may be obtained from Companies House Cardiff.