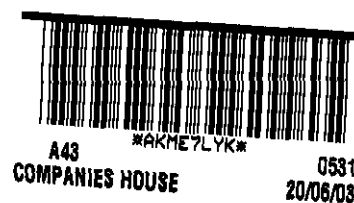


**Cloud 9 (The Tribe) Limited**  
**REPORT AND FINANCIAL STATEMENTS**

year ended 30 September 2002



# Cloud 9 (The Tribe) Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

RW Thompson  
AJ Taylor  
MD Miller  
A Najeeb

### COMPANY SECRETARY

SEA Standing

### REGISTERED OFFICE

Sanctuary House  
45-53 Sinclair Road  
London W14 0NS

### AUDITORS

Baker Tilly  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

# Cloud 9 (The Tribe) Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of Cloud 9 (The Tribe) Limited for the year ended 30 September 2002.

### PRINCIPAL ACTIVITIES

The principal activity of the company was TV and film production.

### REVIEW OF THE BUSINESS

The company had a satisfactory trading year and the directors are confident of the future prospects.

### RESULTS AND DIVIDENDS

The trading loss for the year before taxation was £222,616 (2001: Profit £921,237).

The directors do not recommend the payment of a dividend. The loss for the financial year will be transferred forward to reserves.

### DIRECTORS AND THEIR INTERESTS

The following directors have held office during the year:

AJ Taylor  
MD Miller  
A Najeeb  
RW Thompson

A J Taylor, A Najeeb and M D Miller are also directors of the ultimate parent company, The Sanctuary Group plc. Details of their shareholdings in that company are given in its statutory accounts.

RW Thompson is a shareholder in Cloud 9 Screen Entertainment Group Limited. At 30 September 2002 and 1 October 2001 he held 5,500 ordinary shares of 1p each in that company.

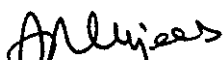
### INTRODUCTION OF THE EURO

The company is able to handle Euro transactions as required.

### AUDITORS

A resolution to re-appoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board

A Najeeb   
Director

# Cloud 9 (The Tribe) Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. 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 requirements of the Companies Act 1985. They 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.

# Cloud 9 (The Tribe) Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLOUD 9 (THE TRIBE) LIMITED

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We have audited the financial statements on pages 5 to 13.

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 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 members as a body, for our audit work, for this report, or for the opinion we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

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 and other members of the group is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of opinion**

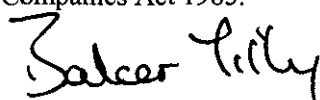
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 affairs of the company at 30 September 2002 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY  
Registered Auditor  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST



20 January 2003

# Cloud 9 (The Tribe) Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 30 September 2002

	<i>Notes</i>	2002 £	2001 Restated £
TURNOVER	1	1,755,370	7,964,450
Cost of sales		1,355	(5,464,108)
Gross profit		<u>1,756,725</u>	<u>2,500,342</u>
Administrative expenses		(1,356,890)	(815,204)
OPERATING PROFIT		<u>399,835</u>	<u>1,685,138</u>
Interest payable and similar charges	2	(622,451)	(763,901)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>(222,616)</u>	<u>921,237</u>
Taxation	5	66,785	144,514
RETAINED (LOSS)/PROFIT FOR THE YEAR	12	<u>(155,831)</u>	<u>1,065,751</u>

The operating profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

# Cloud 9 (The Tribe) Limited


## BALANCE SHEET

30 September 2002

	Notes	2002 £	2001 £ Restated
<b>FIXED ASSETS</b>			
Intangible assets	6	12,951,178	9,733,972
Tangible assets	7	23,104	27,687
		<u>12,974,282</u>	<u>9,761,659</u>
<b>CURRENT ASSETS</b>			
Debtors - amounts falling due within one year	8	2,116,956	3,099,093
Cash at bank and in hand		12,514	1,830,430
		<u>2,129,470</u>	<u>4,929,523</u>
<b>CREDITORS: Amounts falling due within one year</b>	9	(12,217,385)	(6,910,957)
<b>NET CURRENT LIABILITIES</b>		<u>(10,087,915)</u>	<u>(1,981,434)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,886,367	7,780,225
Creditors: Amounts falling due after more than one year	10	-	(4,671,242)
Provisions for liabilities and charges	11	(1,094,409)	(1,161,194)
<b>NET ASSETS</b>		<u>1,791,958</u>	<u>1,947,789</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	2	2
Profit and loss account	13	1,791,956	1,947,787
<b>EQUITY SHAREHOLDERS' FUNDS</b>	14	<u>1,791,958</u>	<u>1,947,789</u>

Approved by the board on 20 January 2003

A Najeeb

 Director

# Cloud 9 (The Tribe) Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

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

### GOING CONCERN

The company relies on the continued support of its ultimate parent company, The Sanctuary Group plc. The directors continue to adopt the going concern concept in preparing the financial statements.

### TURNOVER

Creation and packaging fees are recognised when received. Costs incurred by the company in supervising the production and fees paid for the role are taken to the profit and loss account as incurred.

Royalty income is recognised when sales of film and television productions exceed the costs of each production and interest accrued on loans. Sales are recognised when the distributor enters into a contract with an end user.

### INTANGIBLE FIXED ASSETS

Screen production catalogues arising on acquisitions made after 30 September 2000 are capitalised and amortised over the directors' estimate of their expected useful life, ranging from 5 to 20 years, in accordance with FRS 10. Estimates of expected useful life are based on the future earnings potential of the asset. Amortisation of screen productions commences after the underlying property has been completed and delivered.

Intangible assets are reviewed for impairment at the end of the first full financial year following acquisition and in other years if events or changes in circumstances indicate that the carrying value may not be recoverable.

Trademarks are carried at cost less provision for any permanent diminution in value.

### DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

This is a change in accounting policy following the introduction of Financial Reporting Standard No. 19.

### TRANSLATION OF FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate ruling at that date. These translation differences are dealt with in the profit and loss account.



# Cloud 9 (The Tribe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2002

1	<b>TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
	Turnover represents amounts derived from the principal activity of the company and arise within the European Union.		
2	<b>INTEREST PAYABLE</b>	2002 £	2001 £
	Bank interest	622,451	763,901
3	<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2002 £	2001 £
	(Loss)/Profit on ordinary activities before taxation is stated after charging:		
	Auditors' remuneration	-	-
	Amortisation of intangible fixed assets	1,160,490	418,207
	Depreciation on owned assets	6,961	6,922
	Audit fees are borne by another group company.		
4	<b>EMPLOYEES</b>		
	The company did not employ any staff during the course of the year.		
5	<b>TAXATION</b>	2002	2001
	a) Analysis of charge in year	£	Restated £
	Current tax:		
	UK Corporation tax at 30% (2001 30%)	-	-
	Adjustment in respect of previous years	-	(420,886)
	Deferred tax:		
	Origination and reversal of timing difference	(66,785)	276,372
		(66,785)	(144,514)
	b) Factors affecting the charge for the year		
	Tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%)		
	The difference is explained below:		
	(Loss)/Profit on ordinary activities before tax	(222,616)	921,237
	(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK at 30% (2001:30%)	(66,785)	276,372
	Capital allowances in excess of depreciation	(640,527)	(923,653)
	Tax losses carried forward	707,312	647,281
	Current tax charge (note 5a)	-	-

# Cloud 9 (The Tribe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2002

### 6 INTANGIBLE FIXED ASSETS

	<i>Trademarks</i>	<i>Screen productions catalogue</i>	<i>Dubbing costs</i>	<i>Total</i>
	£	£	£	£
Cost:				
1 October 2001	33,943	9,673,635	738,665	10,446,243
Additions	10,450	3,937,042	430,204	4,377,696
30 September 2002	44,393	13,610,677	1,168,869	14,823,939
Amortisation				
1 October 2001	3,394	699,118	9,759	712,271
Amortisation for the year	3,904	1,093,498	63,088	1,160,490
30 September 2002	7,298	1,792,616	72,847	1,872,761
Net book value				
30 September 2002	37,095	11,818,061	1,096,022	12,951,178
30 September 2001	30,549	8,974,517	728,906	9,733,972

**Cloud 9 (The Tribe) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 September 2002

7	TANGIBLE FIXED ASSETS	Website £	
	Cost:		
	1 October 2001		34,609
	Additions		2,378
	30 September 2002		<u>36,987</u>
	Depreciation		
	1 October 2001		6,922
	Charge for the year		6,961
	30 September 2002		<u>13,883</u>
	Net book value		
	30 September 2002		<u>23,104</u>
	30 September 2001		<u>27,687</u>
8	DEBTORS	2002 £	2001 £
	Due within one year:		
	Trade debtors	-	388,640
	Other debtors	26,250	1,867,804
	Prepayments and accrued income	2,090,706	842,649
		<u>2,116,956</u>	<u>3,099,093</u>
9	CREDITORS: Amounts falling due within one year	2002 £	2001 Restated £
	Bank overdraft	3,952,256	-
	Trade creditors	396,991	78,316
	Amounts due to other group undertakings	5,927,744	4,247,101
	Other taxation and social security	-	560,310
	Accruals and deferred income	11,739	60,920
	Corporation tax	-	164,310
	Other creditors	1,928,655	1,800,000
		<u>12,217,385</u>	<u>6,910,957</u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company.

**Cloud 9 (The Tribe) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 September 2002

10	CREDITORS: Amounts falling due after more than one year:	2002 £	2001 £
	Specific loans in respect of screen productions	-	4,671,242
	Specific loans in respect of screen productions are secured by fixed and floating charges on the assets of the company.		
11	PROVISIONS FOR LIABILITIES AND CHARGES	2002 £	2001 Restated £
	Provision for deferred tax is:		
	Accelerated capital allowances	2,998,843	2,358,316
	Tax losses carried forward	(1,904,434)	(1,197,122)
		1,094,409	1,161,194
	At 1 <sup>st</sup> October 2001 as originally reported	-	-
	Prior period adjustment (see note 14)	688,003	422,781
	Transfer from corporation tax liability	473,191	462,041
	At 1 <sup>st</sup> October 2001 - restated	1,161,194	884,822
	Deferred tax (charged)/credited to profit and loss account	(66,785)	276,372
	At 30 <sup>th</sup> September 2002	1,094,409	1,161,194
12	SHARE CAPITAL	2002 £	2001 £
	Authorised:		
	100 ordinary shares of £1 each	100	100
	Issued and fully paid:		
	2 ordinary shares of £1 each	2	2

# Cloud 9 (The Tribe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2002

13	PROFIT AND LOSS ACCOUNT	2002	2001
		£	£
	1 <sup>st</sup> October 2001 – as originally stated	2,635,790	1,304,817
	Prior period adjustment (see note 14)	(688,003)	(422,781)
		<hr/>	<hr/>
	1 October 2001 – restated	1,947,787	882,036
	(Loss)/Profit for the financial year	(155,831)	1,065,751
		<hr/>	<hr/>
	30 September 2002	1,791,956	1,947,787
		<hr/>	<hr/>
14	MOVEMENT IN SHAREHOLDERS' FUNDS	2002	2001
		£	£
	Opening Shareholders' funds as originally stated	2,635,792	1,304,819
	Prior period adjustment	(688,003)	(422,781)
		<hr/>	<hr/>
	Opening shareholders' funds - restated	1,947,789	882,038
		<hr/>	<hr/>
	(Loss)/Profit for the financial year	(155,831)	1,065,751
		<hr/>	<hr/>
	Closing shareholders' funds	1,791,958	1,947,789
		<hr/>	<hr/>

A prior period adjustment has been made to reflect the new accounting under FRS19 – deferred tax

### 15 RELATED PARTY DISCLOSURES

In preparing these financial statements, the directors have taken advantage of the exemptions available under paragraph 3 (c) of the Financial Reporting Standard No. 8 Related Party Disclosures.

### 16 IMMEDIATE PARENT COMPANY

The company is a subsidiary of Cloud 9 Screen Entertainment Limited, a company registered in England and Wales.

### 17 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

In the directors' opinion the ultimate parent company at 30 September 2002 was The Sanctuary Group plc, a company registered in England and Wales.

Copies of the group financial statements of The Sanctuary Group plc are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

### 18 CASH FLOW STATEMENTS

In accordance with Financial Reporting Standard 1, cash flow statements have not been prepared as the cash flows of the company are included in those of the ultimate parent company, The Sanctuary Group plc.

# Cloud 9 (The Tribe) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2002

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### 19 CONTINGENT LIABILITY

The company has guaranteed the bank indebtedness of certain fellow subsidiaries and has executed a charge over its assets in favour of the bank. At 30 September 2002 the total net borrowings of these companies amounted to £5,057,000 (2001: £Nil).

The company has entered into certain sale and leaseback transactions for television programme rights. Amounts are held in deposit accounts as a result of these transactions, and comprise monies to provide for the discharge of future leasing liabilities. The banks with which these sums are deposited have given guarantees to the lessors in respect of the lease liabilities. The contingent liability would only crystallise upon the failure of the bank holding the deposit.

The amounts involved are as follows:

	2002 £	2001 £
Amounts held on deposit	7,155,346	2,420,351
Less: Loans outstanding	(7,155,346)	(2,420,351)
	<u>-</u>	<u>-</u>
The maturity of the above amounts is as follows:		
Less than one year	184,299	52,527
Two to five years	1,147,337	347,902
Over five years	5,823,710	2,019,922
	<u>7,155,346</u>	<u>2,420,351</u>