

Cloud 9 (The Tribe) Limited
REPORT AND FINANCIAL STATEMENTS

period ended 31 March 2004



Cloud 9 (The Tribe) Limited

DIRECTORS AND OFFICERS

DIRECTORS

RW Thompson
A Najeeb

COMPANY SECRETARY

JN Speight

REGISTERED OFFICE

19 Grafton Road
Worthing
West Sussex BN11 1QR

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Cloud 9 (The Tribe) Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Cloud 9 (The Tribe) Limited for the 18 month period ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the company during the period was television and film production.

REVIEW OF THE BUSINESS

The directors do not consider the performance of the company during the period to be satisfactory, but are confident that performance will improve in the next period.

During the period, £2,430,000 was written off the value of the company's screen production catalogue in accordance with its accounting policy.

RESULTS AND DIVIDENDS

The trading loss for the period before taxation was £5,643,921 (2002: loss for the year £222,616).

The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors have held office since 1 October 2002:

E Thompson	(appointed 1 March 2004; resigned 5 July 2004)
AJ Taylor	(resigned 29 September 2003)
MD Miller	(resigned 29 September 2003)
A Najeeb	
RW Thompson	

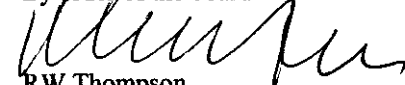
DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

None of the directors had any interest in the shares of the company. RW Thompson is a shareholder in Muskoka New Zealand Limited, this company's ultimate parent company. His interest is disclosed in that company's financial statements.

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



RW Thompson
Director

2 December 2005

Cloud 9 (The Tribe) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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.

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

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.

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 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.

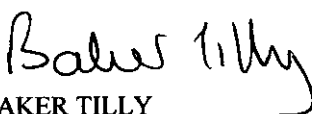
Basis of opinion

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 the company's affairs at 31 March 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY

Registered Auditors
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

2 December 2005

Cloud 9 (The Tribe) Limited

PROFIT AND LOSS ACCOUNT

for the period ended 31 March 2004

	<i>Notes</i>	18 month period ended 31 March 2004 £	Year to 30 September 2002 £
TURNOVER	1	132,233	1,755,370
Cost of sales		(64,998)	1,355
Gross profit		<u>67,235</u>	<u>1,756,725</u>
Administrative expenses		(5,711,186)	(1,356,890)
OPERATING (LOSS)/PROFIT		<u>(5,643,951)</u>	<u>399,835</u>
Interest receivable		30	-
Interest payable and similar charges	2	-	(622,451)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>(5,643,921)</u>	<u>(222,616)</u>
Taxation	5	(1,904,434)	66,785
RETAINED LOSS FOR THE PERIOD	13	<u><u>(7,548,355)</u></u>	<u><u>(155,831)</u></u>

The operating loss for the period 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.

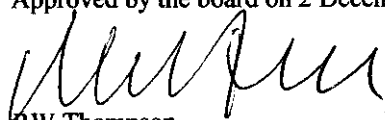
Cloud 9 (The Tribe) Limited

BALANCE SHEET

31 March 2004

	Notes	2004 £	2002 £
FIXED ASSETS			
Intangible assets	6	10,877,677	12,951,178
Tangible assets	7	17,218	23,104
		<u>10,894,895</u>	<u>12,974,282</u>
CURRENT ASSETS			
Debtors	8	343,893	2,116,956
Cash at bank and in hand		14,526	12,514
		<u>358,419</u>	<u>2,129,470</u>
CREDITORS: Amounts falling due within one year	9	(94,597)	(12,217,385)
NET CURRENT ASSETS/(LIABILITIES)		<u>263,822</u>	<u>(10,087,915)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,158,717	2,886,367
Creditors: Amounts falling due after more than one year	10	(13,916,271)	-
PROVISIONS FOR LIABILITIES AND CHARGES	11	(2,998,843)	(1,094,409)
		<u>(5,756,397)</u>	<u>1,791,958</u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Profit and loss account	13	(5,756,399)	1,791,956
EQUITY SHAREHOLDERS' FUNDS	14	<u>(5,756,397)</u>	<u>1,791,958</u>

Approved by the board on 2 December 2005



RW Thompson

Director

Cloud 9 (The Tribe) Limited

ACCOUNTING POLICIES

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 directors are confident that this support will continue and therefore continue to adopt the going concern concept in preparing the financial statements.

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.

SCREEN PRODUCTION CATALOGUES

Screen production costs held under finance leases are treated as if they had been purchased outright at the present value of the rentals payable, less finance charges, over the primary period of the agreements. Any surplus generated from the excess of interest due from the programme sale proceeds held on deposit as compared with the interest payable under the lease agreement is recognised as profit in the period of initial contract, after accounting for related costs.

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 that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised 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.

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.

COMPARATIVE FIGURES

The comparative figures are in respect of the year ended 30 September 2002.

TURNOVER

Turnover represents licence deals on productions, which are recognised in full on signing of contracts and the invoiced value (exclusive of value added tax) of other services provided.

Cloud 9 (The Tribe) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2004

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and loss before taxation were all derived from its principal activity. Sales were made in the following geographical markets.

	18 month period ending 31 March 2004 £	Year ended 30 September 2002 £
United Kingdom	32,590	664,493
Europe	133,306	942,393
Rest of the World	(33,663)	148,484
	<u>132,233</u>	<u>1,755,370</u>

2 INTEREST PAYABLE

	18 month period ending 31 March 2004 £	Year ended 30 September 2002 £
Bank interest	-	224,451
Group interest	-	398,000
	<u>-</u>	<u>622,451</u>

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	18 month period ending 31 March 2004 £	Year ended 30 September 2002 £
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	4,500	4,500
Amortisation of intangible fixed assets		
Charge for the period		
owned assets	1,427,013	720,720
leased assets	992,181	439,770
Depreciation of tangible assets		
owned assets	12,500	6,961
Write down of fixed assets	2,430,000	-
	<u></u>	<u></u>

Cloud 9 (The Tribe) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2004

4 EMPLOYEES

18 month period ending 31 March 2004 No	Year ended 30 September 2002 No
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The average monthly number of persons (including directors) employed by the company during the period was:

Office and management	3	4
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None of the directors received any remuneration during the period.

5 TAXATION

18 month period ending 31 March 2004 £	Year ended 30 September 2002 £
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Current tax:

UK corporation tax at 30%

Deferred tax:

Origination and reversal of timing differences

-	-
1,904,434	(66,785)
<u>1,904,434</u>	<u>(66,785)</u>

Factors affecting the charge for the period:

Tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%)

The difference is explained below:

Loss on ordinary activities before tax

(5,643,921)	(222,616)
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Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK at 30%

(1,693,176)	(66,785)
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Effects of:

Capital allowances in excess of depreciation

-	(640,527)
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Tax losses carried forward

1,693,176	707,312
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Current tax charge

-	-
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A deferred tax asset (at 30%) has not been recognised in respect of these losses due to the uncertainty of the timing of future taxable profits.

Cloud 9 (The Tribe) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2004

6 INTANGIBLE FIXED ASSETS

	<i>Trademarks</i> £	<i>Screen productions catalogue</i> £	<i>Dubbing costs</i> £	<i>Total</i> £
Cost:				
1 October 2002	44,393	13,610,677	1,168,869	14,823,939
Additions	16,120	2,592,820	-	2,608,940
Write down in period	-	(2,430,000)	-	(2,430,000)
31 March 2004	60,513	13,773,497	1,168,869	15,002,879
Amortisation				
1 October 2002	7,298	1,792,616	72,847	1,872,761
Amortisation for the period	8,337	2,095,053	149,051	2,252,441
31 March 2004	15,635	3,887,669	221,898	4,125,202
Net book value				
31 March 2004	44,878	9,885,828	946,971	10,877,677
30 September 2002	37,095	11,818,061	1,096,022	12,951,178

On 5 April 2002 the company sold production costs of 'The Tribe Series 3' totaling £3,144,899 and simultaneously leased them back for the same amount.

On 5 April 2002 the company sold production costs of 'The Tribe Series 4' totaling £3,002,974 and simultaneously leased them back for the same amount.

The net book value of the screen production catalogues held under finance leases is £4,141,663.

7 TANGIBLE FIXED ASSETS

	<i>Website</i> £
Cost:	
1 October 2002	36,987
Additions	6,614
31 March 2004	43,601
Depreciation	
1 October 2002	13,883
Charge for the period	12,500
31 March 2004	26,383
Net book value	
31 March 2004	17,218
30 September 2002	23,104

Cloud 9 (The Tribe) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the period ended 31 March 2004

8	DEBTORS	2004 £	2002 £
	Due within one year:		
	Trade debtors	35,250	-
	Other debtors	-	26,250
	Prepayments and accrued income	-	2,090,706
	Amounts owed by group undertakings	308,643	-
		<u>343,893</u>	<u>2,116,956</u>
9	CREDITORS: Amounts falling due within one year	2004 £	2002 £
	Bank overdraft	-	3,952,256
	Trade creditors	15,335	396,991
	Amounts due to other group undertakings	-	5,927,744
	Other taxation and social security	17,337	-
	Accruals and deferred income	15,614	11,739
	Other creditors	46,311	1,928,655
		<u>94,597</u>	<u>12,217,385</u>
10	CREDITORS: Amounts falling due after more than one year:	2004 £	2002 £
	Loan notes - due to group undertakings	13,916,271	-
	The loan notes are secured by a fixed and floating charge over the assets of the company.		
11	PROVISIONS FOR LIABILITIES AND CHARGES	2004 £	2002 £
	Provision for deferred tax		
	Accelerated capital allowances	2,998,843	2,998,843
	Tax losses carried forward	-	(1,904,434)
		<u>2,998,843</u>	<u>1,094,409</u>
	At 1 October 2002	1,094,409	1,161,194
	Deferred tax charged to profit and loss account	1,904,434	(66,785)
	31 March 2004	<u>2,998,843</u>	<u>1,094,409</u>

Cloud 9 (The Tribe) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2004

12	SHARE CAPITAL	2004 £	2002 £
	Authorised: 100 ordinary shares of £1 each	100	100
	Issued and fully paid: 2 ordinary shares of £1 each	2	2
13	PROFIT AND LOSS ACCOUNT	2004 £	2002 £
	1 October 2002	1,791,956	1,947,787
	Loss for the financial period	(7,548,355)	(155,831)
	31 March 2004	(5,756,399)	1,791,956
14	MOVEMENT IN SHAREHOLDERS' FUNDS	2004 £	2002 £
	The reconciliation of movements in shareholders funds is as follows:		
	Loss for the financial period	(7,548,355)	(155,831)
	Opening shareholders' funds	1,791,958	1,947,789
	Closing shareholders' funds	(5,756,397)	1,791,958
15	RELATED PARTY DISCLOSURES		
	The company has the following balances with fellow subsidiary undertakings and its parent company at 31 March 2004:		
		2004 £	2002 £
	Cloud 9 Screen Entertainment Group Limited	(13,962,582)	-
	Cloud 9 Screen Entertainment Limited	160,766	4,928,414
	Cumulus Distribution Limited	147,877	192,493
16	ULTIMATE PARENT COMPANY AND CONTROLLING PARTY		
	The company's immediate controlling undertaking is Cloud 9 Screen Entertainment Limited, a company incorporated in England. In the directors' opinion, the ultimate controlling party is Muskoka New Zealand Limited. At 30 September 2002, the ultimate parent company was The Sanctuary Group plc.		

Cloud 9 (The Tribe) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 31 March 2004

17 CONTINGENT LIABILITIES

Group guarantees

The company is part of a joint and several 'group' guarantee with regards to the loan notes that have been issued by Cloud 9 Screen Entertainment Group Limited.

The total of the loan notes outstanding at 31 March 2004 across all the companies was £23,453,741.

Sale and leaseback transactions

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:

	2004 £	2002 £
Amounts held on deposit	6,699,225	7,155,346
Less: Loans outstanding	(6,699,225)	(7,155,346)
	<u>-</u>	<u>-</u>
The maturity of the above amounts is as follows:		
Less than one year	378,210	184,299
Two to five years	1,711,638	1,147,337
Over five years	4,609,377	5,823,710
	<u>6,699,225</u>	<u>7,155,346</u>

18 FINANCIAL ASSISTANCE

During the period, the company gave financial assistance to its holding company Cloud 9 Screen Entertainment Group Limited for the purchase of the holding company's shares to the value of £13,916,271.