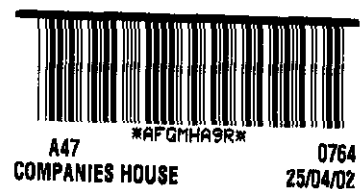


Cloud 9 (The Tribe) Limited
REPORT AND FINANCIAL STATEMENTS

year ended 30 September 2001



Cloud 9 (The Tribe) Limited

DIRECTORS AND OFFICERS

DIRECTORS

RW Thompson
AJ Taylor
MD Miller
A Najeeb

JOINT COMPANY SECRETARIES

City Group Limited
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

The directors submit their report and the financial statements of Cloud 9 (The Tribe) Limited for the year ended 30 September 2001.

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 profit for the year before taxation was £921,237 (2000: £1,553,843).

The directors do not recommend the payment of a dividend. The profit for the financial year will be carried forward.

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 2001 and 1 October 2000 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

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.

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

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 30 September 2001 and of its profit for the year 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

14.1.02

Cloud 9 (The Tribe) Limited

PROFIT AND LOSS ACCOUNT

for the year ended 30 September 2001

	<i>Notes</i>	2001 £	2000 £
TURNOVER	1	7,964,450	6,020,091
Cost of sales		(5,464,108)	(3,594,445)
Gross profit		<u>2,500,342</u>	<u>2,425,646</u>
Administrative expenses		(815,204)	(493,416)
OPERATING PROFIT		<u>1,685,138</u>	<u>1,932,230</u>
Interest payable and similar charges	2	(763,901)	(378,387)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>921,237</u>	<u>1,553,843</u>
Taxation	5	409,736	(688,891)
RETAINED PROFIT FOR THE YEAR	12	<u><u>1,330,973</u></u>	<u><u>864,952</u></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 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Intangible assets	6	9,733,972	6,261,788
Tangible assets	7	27,687	30,409
		<u>9,761,659</u>	<u>6,292,197</u>
CURRENT ASSETS			
Debtors - amounts falling due within one year	8	5,519,447	4,714,420
Cash at bank and in hand		1,830,430	2,110,489
		<u>7,349,877</u>	<u>6,824,909</u>
CREDITORS: Amounts falling due within one year	9	(9,804,502)	(6,988,880)
NET CURRENT LIABILITIES		<u>(2,454,625)</u>	<u>(163,971)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,307,034	6,128,226
Creditors: Amounts falling due after more than one year	10	(4,671,242)	(4,823,407)
NET ASSETS		<u>2,635,792</u>	<u>1,304,819</u>
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	2,635,790	1,304,817
EQUITY SHAREHOLDERS' FUNDS	13	<u>2,635,792</u>	<u>1,304,819</u>

Approved by the board on 14 JANUARY 2002

A Najeeb

A Najeeb

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 Sanctuary Group plc. The directors continue to adopt the going concern concept in preparing the financial statements.

TURNOVER

Turnover represents the invoiced value, (exclusive of Value Added Tax), of goods sold and services provided during the year.

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 taxation is provided on timing differences arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

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 2001

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover represents amounts derived from the principal activity of the company and arise within the European Union.

	2001 £	2000 £
2 INTEREST PAYABLE		
Bank interest	683,901	378,387

	2001 £	2000 £
3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		

Profit on ordinary activities before taxation is stated after charging:

Auditors' remuneration		-
Amortisation of intangible fixed assets	418,207	226,064
Depreciation on owned assets	6,922	-

Audit fees are borne by another group company.

4 EMPLOYEES

The company did not employ any staff during the course of the year.

	2001 £	2000 £
5 TAXATION		
Tax based on profit for the year	409,736	420,886
Adjustment in respect of previous years	-	(194,036)
Deferred taxation charge	-	462,041
	409,736	688,891

6 INTANGIBLE FIXED ASSETS

	Trademarks £	Screen productions catalogue £	Dubbing costs £	Total £
Cost:				
1 October 2000	18,574	6,537,278	-	6,555,852
Additions	15,369	3,136,357	738,665	3,890,391
30 September 2001	33,943	9,673,635	738,665	10,446,243
Amortisation				
1 October 2000	-	294,064	-	294,064
Amortisation for the year	3,394	405,054	9,759	418,207
30 September 2001	3,394	699,118	9,759	712,271
Net book value				
30 September 2001	30,549	8,974,517	728,906	9,733,972
30 September 2000	18,574	6,243,214	-	6,261,788

Cloud 9 (The Tribe) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2001

7	TANGIBLE FIXED ASSETS	Website	
		£	
	Cost:		
	1 October 2000		30,409
	Additions		4,200
	30 September 2001		<u>34,609</u>
	Depreciation		
	1 October 2000		-
	Charge for the year		6,922
	30 September 2001		<u>6,922</u>
	Net book value		
	30 September 2001		<u>27,687</u>
	30 September 2000		<u>30,409</u>
8	DEBTORS	2001	2000
		£	£
	Due within one year:		
	Trade debtors	388,640	-
	Amounts owed by other group undertakings	-	3,388,471
	Other debtors	4,288,158	72,414
	Prepayments and accrued income	842,649	1,253,535
		<u>5,519,447</u>	<u>4,714,420</u>
9	CREDITORS: Amounts falling due within one year	2001	2000
		£	£
	Trade creditors	2,498,670	111,490
	Amounts due to other group undertakings	4,247,101	5,560,443
	Other taxation and social security	560,310	8,157
	Accruals and deferred income	60,920	210,000
	Corporation tax	637,501	882,927
	Other creditors	1,800,000	215,863
		<u>9,804,502</u>	<u>6,988,880</u>

Cloud 9 (The Tribe) Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2001

10	CREDITORS: Amounts falling due after more than one year:	2001 £	2000 £
	Specific loans in respect of screen productions	4,671,242	4,823,407

Specific loans in respect of screen productions are secured by fixed and floating charges on the assets of the company. These loans are repayable in instalments 25% on 3 September 2002, and 75% on 3 September 2003 and carry interest at 5.5% above LIBOR.

11	SHARE CAPITAL	2001 £	2000 £
	Authorised:		
	100 ordinary shares of £1 each	100	100
	Issued and fully paid:		
	2 ordinary shares of £1 each	2	2

12	PROFIT AND LOSS ACCOUNT	2001 £	2000 £
	1 October 2000	1,304,817	439,865
	Profit for the financial year	1,330,973	864,952
	30 September 2001	2,635,790	1,304,817

13	MOVEMENT IN SHAREHOLDERS' FUNDS	2001 £	2000 £
	The reconciliation of movements in shareholders funds is as follows:		
	Profit for the financial year	1,330,973	864,952
	Opening shareholders' funds	1,304,819	439,867
	Closing shareholders' funds	2,635,792	1,304,819

14 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.

Cloud 9 (The Tribe) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2001

15 IMMEDIATE PARENT COMPANY

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

16 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

In the directors' opinion the ultimate parent company at 30 September 2001 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.

17 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.

18 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 2001 the total net borrowings of these companies amounted to £Nil (2000: £2,437,000).