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Contents

Financial Highlights

	£m	Change %
Turnover	43.5	+69
Operating Profit before exceptional operating items and goodwill	8.0	+54
Pre Tax Profit before exceptional operating items and goodwill	7.7	+48
Pre-tax profit	6.6	+48
Annual Dividend per ordinary share	1.25p	+25

Chairman's Statement

This is the second set of full year results I have the pleasure in presenting following Shed's flotation on the AIM market in March 2005. Shed has again delivered a strong set of financial results for the year ending 31 August 2006 with an overall growth of pre tax profits, before goodwill and exceptional items, of 48% to £7.7m.

Shed's efficient production model and strong intellectual property (IP) exploitation enabled the Group to deliver high operating margins before goodwill at 18% which are among the best in the sector.

During the year Shed completed its first acquisition of the factual entertainment producer, Ricochet, which is now fully integrated into the Group. In only nine months, Ricochet contributed 47% of Group gross profits for 2006, and after the year end, Ricochet achieved the revenue and turnover targets that trigger the payment of the earn out. Ricochet has been a transformational aquisition that has enabled Shed to diversify into the factual and entertainment genres.

Shed Group has more drama and factual entertainment brands launched and in development than ever before and in the year delivered 132 hours of programming and expanded its UK customer base which now includes the BBC, ITV, Channel 4, Five, Sky and Discovery.

The exploitation of intellectual property (IP) created by the Group is an important part of our strategy to create value for shareholders. In 2006 revenue from rights exploitation increased 230% to £4.5m which contributed 35% to gross profits. After the period end we diversified into distribution with the acquisition of Screentime Partners. This will allow us to optimise our rights exploitation on all our new brands, and maximise the profits from this activity, retaining the distribution margin.

During the year ITV decided not to commission further series of Footballers' Wives and Bad Girls, however both brands continue to perform well internationally with increasing format and library sales. Both Footballers' Wives and Bad Girls formats are being developed in territories including the US and library sales have been boosted by sales into fast growing markets including the Far East, Asia and China.

We are confident that we will continue to deliver growth in revenues and profits as we seek to expand our portfolio of brands. Whilst we continue to grow organically and invest in new talent, we will also look for opportunities to expand the business through strategic acquisitions.

I thank all the employees of Shed Group for their continued hard work during the year and their contribution to achieving such impressive results.

Chief Executive's Report

OVERVIEW FOR THE PERIOD

I am pleased to announce Shed Productions' full year financial results for the period ending 31 August 2006.

Over the period turnover increased by 69% from £25.7m to £43.5 million and profit before tax, goodwill and exceptional items increased from £5.2m to £7.7m. Overall operating margin for the Group was 18% with Shed's margin increasing from 20% to 22% and Ricochet's margin at 14%. The adjusted basic earning per share is 9.6p up 30% from 2005 and we are therefore proposing a final dividend of 1p per share. This makes the total dividend for the year 1.25p per share, up 25% from 2005.

The strong profit growth and high operating margin are the results of Shed's strategy of growing powerful brands in a range of genres that earn over many years in the UK and internationally. It is by building these brands and keeping tight control of production costs and overheads that makes the Shed Group exceptionally profitable for the sector.

Shed's strategy is to grow premium, profit-earning brands organically and to acquire companies that own existing brands and are capable of generating new ones. Over the twelve month period Shed has made good progress in achieving these aims.

A main highlight of the year was the acquisition and successful integration of Ricochet. This was a strategic move which enabled Shed to diversify into the factual and entertainment genres whilst securing new creative talent. In its first nine months Ricochet has contributed 47% of the Shed Group gross profits for 2006. For 2007 Ricochet has already secured 72% of turnover and they have also achieved their target for the additional consideration under the earn out.

More recently Shed acquired the global programme sales distribution company Screentime Partners. This strategic move enables the Group to capture more value from Shed and Ricochet's library and format sales internationally. Revenue from the Group's Intellectual Property (IP) exploitation, which mostly falls straight to the bottom line, already accounts for nearly 35% of gross profit. We also aim to build on Screentime's existing third party distribution business.

Drama – Shed Productions

Shed's key objective of widening its customer base post the Communications Act and the new terms of trade was swiftly achieved with a new primetime BBC 1 series Waterloo Road. This eight hour series aired in March 2006 and delivered strong audiences for the BBC particularly among the sought after younger audiences. A second series of 12 hours is presently in production for transmission early in 2007 and a third series of 20 hours is in development for possible transmission starting in the autumn of 2007.

During the period Shed Productions delivered two major drama brands for ITV – Footballers' Wives series five for ITV 1 and the spin off drama Footballers' Wives Extra Time series two for the digital channel ITV 2, which were transmitted in the spring season. Shed also delivered series 8 of Bad Girls scheduled over the summer. Both Bad Girls 8 and Footballers' Wives 5 delivered strong audiences in a difficult ITV1 schedule especially for the target young demographic. Despite this performance neither series was re-commissioned by ITV, however both brands continue to earn high margin profits through library and format sales around the world and Shed has many new drama brands in the late stages of development for key UK broadcasters (see Outlook for 2007).

During the period ITV commissioned a 90 minute TV film Cat Walk Dogs written by Men Behaving Badly creator Simon Nye, for transmission in autumn 2007. This is a pilot for a possible series for 2008. Shed Productions managed to increase an already high operating margin of 20% in 2005 to 22% in 2006. This is despite the fact that a higher percentage of production hours in the period was for lower cost dramas for digital channels. This improved operating margin is due to Shed's ability to keep a tight control of overheads and production costs and increased profits from IP exploitation.

Shed Productions made good inroads in the US market where there is a real appetite for Shed drama formats and original ideas for new US dramas. Development deals were signed with four US networks: a US version of Footballers' Wives for ABC; a US version of Bad Girls for the cable channel FX; a first look script deal with the Fox Network and an original drama development deal with the USA Network, the cable arm of NBC Universal.

Revenue from the sales of Shed Productions' finished programmes continued to grow as new territories opened up – significantly in South America, India and China. With new markets for our dramas and as more hours are added to our programme library, revenues from Shed's IP exploitation continue to grow strongly.

Factual Entertainment – Ricochet

Ricochet's strategy of developing and growing strong factual entertainment brands has continued apace during the period. All Ricochet's major existing brands have been broadcast and recommissioned in the period.

Supernanny continues to be a major international hit, with Ricochet's finished programmes now airing in 47 territories and with 14 local versions in production. On the back of strong ratings, the Ricochet produced US Supernanny was picked up by the ABC network for a third season and is due to air in December 2006. In the UK, Supernanny continued as a ratings success on Channel 4 and it has been ordered again for 2007.

In the period, It's Me or the Dog has broadcast its second and third series and has been picked up for a fourth series by Channel 4 for 2007. Ricochet's longest running brand, No Going Back, is now into its sixth year and has been recommissioned for a run of 6x30mins on Channel 4. Selling Houses, Living in the Sun and Born to be Different have all been successfully broadcast in the period and all have been reordered for 2007.

In addition to Ricochet's established brands, the period has seen the beginning of some new brands and an expanding broadcast partner base. Extreme Dreams aired on BBC2 with a run of 20x30mins in the late summer and in the light of strong ratings and critical success, it has been reordered for 2007 in an extended run of 30x30mins. Sex Court has been picked up as 10x30mins by E4 and autumn 2006 has seen the successful launch of Too Big to Walk, a potential worldwide format, screened over three consecutive nights on primetime Channel 4.

The period saw Ricochet working for the first time with Children's BBC - Clutter Nutters; Discovery US - Off the Grid; Discovery UK - World's Toughest Tribes; and Sky - Spontaneous Combustion and The Big Idea.

During the period, Ricochet has expanded its US office in Los Angeles and has been in funded development with two major US cable channels, Bravo and Discovery US, which it is hoped will convert into full commissions for 2007.

Revenue from sales of finished programmes and formats continues to grow strongly as the Ricochet library grows. In the period, Ricochet has developed a number of Supernanny products that will be retailing in 2006/2007. In addition, Ricochet has built a Supernanny website which will roll out globally through 2007. This is a community website for parents and all child carers building on the trusted world-wide brand of Supernanny.

Outlook for 2007

With 72% of product commissioned or agreed for 2007, Ricochet has good visibility for the year ending 2007 and is in a good position to achieve budget targets. We are hopeful that new series commissioned and seeded in 2006 will grow Ricochet's portfolio into 2007 and beyond.

Shed Productions has a very healthy development slate with some major projects in the late stages of development with broadcasters. A new drama series for ITV 1 is being developed for production and delivery in 2007. Another major drama, Hope Springs, is in late stages of development for primetime BBC1. Shed Productions also has funded development deals with Sky One and BBC1 for multi- episode one hour and half hour "soaps" and is also developing a daytime soap for ITV.

A reasonable conversion of these developments into solid commissions will enable Shed to make up for the loss of production fee revenue resulting from the loss of Bad Girls and Footballers' Wives. The Shed model ensures there are no costs associated with these productions carried over to 2007. Meanwhile profit from both Footballers' Wives and Bad Girls continues to grow strongly from format and finished programmes sales internationally with some major new prospective deals.

Shed has concluded a deal for the sale of over 100 hours of Bad Girls to Viacom-owned US cable channel, Logo. The deal demonstrates the continuing appetite for high quality drama in the overseas market. Bad Girls has already performed very well overseas and this latest deal will see Bad Girls hitting the screens of 25 million households in the US.

Shed continues to seek to acquire companies that fit our strategy of building strong programme brands and tying in the creative teams that create and support them.

The recent acquisition of Screentime Partners helps build our international profile and broadcaster relationships. With growing profits from overseas sales from both Shed and Ricochet, in-house distribution will mean the Group will no longer lose 25% - 30% of our profit to third party distributors for our new product going forward. We also intend to grow the third party distribution business that Screentime Partners has already established.

With a strong 2005/6 financial year behind us, we are confident of building the Shed Group and delivering new drama and factual brands in 2007.

Eileen Gallagher

Finance Director's Report

The year ending 31st August 2006 saw a successful first full year as a public company. A good sales and profit performance with strong cash generation bolstered by a successful acquisition of Ricochet enabled the Group to reach its expected budget.

The initial consideration for Ricochet was £25m which was satisfied by £7.5m in cash, £10m in shares and £7.5m in loan notes payable on the first anniversary of the deal. An additional consideration of £5m in shares was conditional upon performance criteria for the periods ending 31 August 2006 and 31 October 2006, which have now been met.

Capital Structure and Treasury Policy

During the year Shed Production plc increased issued and authorised share capital to 59,916,944 ordinary shares of 0.1p each and 80,000,000 ordinary shares of 0.1p each respectively.

The only bank debt the Group had on the balance sheet was a short term loan used to fund the acquisition of Ricochet and at the 31 August 2006 the balance of the loan was £1m (2005: Nil). There is also a loan note for £7.5m which on 25 November 2006 will be satisfied by drawing down on the short term loan facility.

Earnings per Share

Basic earnings per share in the year was 7.44p (2005: 12.4p) based on the profit on ordinary activities after taxation of £4.3m divided by the weighted average number of shares in issue during the period of 57,634,688 (2005: 23,661,370).

Diluted earnings per share in the year was 7.37p (2005: 12.4p) based on the basic earnings per share calculation above, except that the weighted average number of shares includes all dilutive options granted by the balance sheet date as if those options had been exercised on the first day of the accounting year or the date of the grant, if later. This gives a weighted average number of shares in issue of 58,151,598 (2005: 23,721,064).

After adjusting for UITF 17 charges and goodwill, adjusted basic earnings per share was 9.6p (2005: 15.6p) and adjusted diluted earnings per share is 9.5p (2005: 15.6p).

The large increase in the weighted average number of shares to 57,634,688 (2005: 23,661,370) was due to the timing of the float of Shed Productions. If we adjusted the EPS calculation in 2005 based on the total issued share capital at the end of the 2005 financial year the basic EPS would be 5.9p and the adjusted EPS would be 7.4p (based on 50,000,000 shares).

Cash flow liquidity and gearing

Net Cash Inflow from operating activities was £10.4m (2005: £25.8m). This decrease was due a change in presentation when capitalising the film asset and there is a similar decrease in the net cash outflow from capital expenditure. From 2006 we have only capitalised the remaining value of the film asset which has been apportioned to the future income, which is an average 8% of the total film costs.

The overall net cash increased by £1m (2005: £3.1m) which was the net of the overall growth in the business offset by the purchase of Ricochet in the year (£7.5m).

Balance Sheet

Fixed assets The increase in fixed assets during the year represents the capitalisation of new production during the year and the addition of Ricochet's film library. Shed Productions plc in the current year depreciated on average 92% of assets arising from new drama productions and 94% on new factual entertainment productions. The remainder will be amortised over the life of the production defined by expected future sales.

Stock This has decreased in the period due to the timing of drama productions. In the prior year Footballers' Wives 5 and Waterloo Road were held as work in progress. In the current year production costs relating to Waterloo Road 2 are held within work in progress.

Debtors The increase in debtors in the period is mainly due to the inclusion of Ricochet's debtors. Of the £3.2m debtors within Shed Productions (2005: £2.9m), £1.4m was the amount owed on the Bad Girls Christmas Special that was delivered in the financial year but not paid for until 7th September 2006. Ricochet's debtors of £6m included £3.2m of outstanding licence fees which were paid by broadcasters by October 2006.

Creditors The increase in creditors in the period to £21.2m (2005: £4.0m) is due to the loan and loan notes used to purchase Ricochet (£8.5m) and the Ricochet creditors being included within the Group. Ricochet's creditors at 31st August 2006 stood at £8.4m and included £4m deferred income, £1.7m accrued production costs and £1.2m in residual payments.

Goodwill During the period £27.9m of Goodwill representing the excess of the purchase price over the fair value of net assets acquired with Ricochet was recognised and is being written off over 20 years as in the opinion of the directors this represents the period over which the goodwill is effective.

International Financial Reporting Standards

Shed Productions plc will be reporting under International Financial Reporting Standards ('IFRS') from the year commencing 1st September 2007. Management are currently reviewing how this change will affect future results. However it is anticipated that apart from the non-amortisation of goodwill and the impact on the presentation of the Group's results there will be no significant impact on the Group's trading or its cash flow.

Taxation

The tax charge for the year is £2.3m at an effective rate of 30% on the operating profit before goodwill.

Jonathon Kemp

Board of Directors

Chief Executive Officer: Eileen Gallagher

Prior to co-founding Shed, Eileen was Managing Director of LWT (London Weekend Television) and deputy Managing Director of Granada Broadcasting. She also co-created 'Bad Girls'. Eileen's business experience and strong creative influence have been instrumental in Shed's success. As chair of the Independent Producers' Trade Association (PACT) for 2002 and 2003, she was at the forefront of the successful campaign to introduce amendments into the Communications Bill to strengthen the position of the independent production sector in its dealings with broadcasters. In 2002 / 2003 Eileen picked up two industry awards for outstanding achievements for her work with Shed and the independent production sector as a whole.

Financial Director: Jonathon Kemp

Jonathon Kemp joined Shed in 2002 from Capitol Films, a film production and financing company, where he was Head of Finance. Jon has had experience in a number of UK production and broadcasting companies including Fox Kids, where he was involved in the flotation of the channel. Before that Jon worked at Nickelodeon UK. Jon's primary responsibility is the financial management of Shed including overseeing the production finance teams.
He is an ACMA qualified accountant.

Managing Director of Shed Productions: Brian Park

Brian Park was previously Head of Entertainment at Granada, where he stewarded 'Stars in their Eyes', 'You've been Framed' and 'Russ Abbot'. His subsequent move to drama resulted in him producing 'True Love' and 'Prime Suspect'. He took over an ailing 'Coronation Street', restoring it as the UK's biggest rating show.
Brian produced the first two series of 'Bad Girls' and has been Executive Producer on the subsequent series of 'Bad Girls', all series of 'Footballers' Wives', the first series of 'Bombshell' and 'Waterloo Road.'

Creative Director Shed Productions: Ann McManus

Ann McManus is the Story Expert and Show Runner at Shed. She is responsible for the script to screen creative overview for all Shed dramas and has extensive experience writing serial drama for major television networks with a large number of storylines and scripts having appeared on screen in the UK and abroad. Working as Story and Script Executive with Brian Park at Granada, she worked on the successful turnaround of an ailing 'Coronation Street'.

Creative Director Shed Productions: Maureen Chadwick

Maureen Chadwick is the Script Expert at Shed and shares the Show Runner role with Ann McManus. Her television credits include 'Eastenders', 'Eldorado', 'Angels', 'Springhill' and 'Coronation Street', plus two of her own screenplays: 'Two Golden Balls' and 'Watch with Mother', made for BBC1's Screen One Series.
She has also written original work for theatre and musical theatre and was a finalist for the Vivian Ellis award for new musicals. Maureen is the lead script writer for Shed, working closely with Ann McManus to create stories and characters. Together they write key episodes and, where necessary, edit or re-write others, to ensure a consistent style and quality throughout each series.

Managing Director Ricochet: Nicholas Powell ●

Nick began working in TV in 1987 at Brook Productions as a researcher on a major series on the international Debt Crisis. He worked at Diverse Productions in 1988 working on '9 to 5' and at Box productions on 'The Harrods Sale'. In 1989 he transferred to Channel 4 where he produced 'Comment' before becoming series producer on 'Out of Africa' and then series editor on 'Right to Reply'.
In 1995 Nick formed Ricochet, assuming the role of Managing Director. During the last 10 years he has Executive Produced over 500 hours of prime-time network television in the UK, with many of the series having been shown and broadcast throughout the world. He has overseen many projects including, 'No Going Back', 'Its Me Or the Dog', 'Risking it All', and 'Supernanny'. In 2003, Nick established a Los Angeles office and executive produces the American version of 'Supernanny' for ABC. As well as managing the growth of the company, Nick oversees development and overall company strategy.

Creative Director Ricochet: Nicholas Southgate ●

Nick started his TV career in 1988 making wildlife films for National Geographic. He moved to Sky News in 1990 where he was researcher on the 'Frank Bough Interview'. In 1991 he started with the BBC in their Natural History unit where he worked on projects including 'The Really Wild Show', '2 Seconds to Midnight' and 'Wildlife on One'. In 1996 Nick transferred to BBC Children's and then to BBC Science in 1997. In 1998 he formed Tiga Films Ltd making a series of films including 'An Obsession with Rabbits', 'Living with Lama Osel', 'In the Blood' and 'Saving Trudy'.
Nick joined Ricochet in 1999 as a producer/director making films including 'The 20th Century Garden' and 'What I Really Want for Christmas'. In 2000 he formed Ricochet Digital with Nick Powell and has since executive produced projects including 'Who Rules the Roost?', 'FightBox', 'Tetris: From Russia with Love', 'Posh Rock', 'Mirror Signal Manoeuvre' and 'Living in the Sun'.
Following the merger between Ricochet Digital and Ricochet South Nick became Creative Director of the new company Ricochet Limited and continues to oversee key projects and manages the company's rights strategy.

Non-executive Chairman: Katherine Innes Ker ^ Δ

Katherine Innes Ker is a Non-executive Director of Taylor Woodrow plc, Fibernet plc, Wickam Capital, The Ordnance Survey and Williams Lea plc. Having gained a D. Phil in molecular biophysics at Oxford University, she joined UBS Phillips and Drew in 1987 as a UK media analyst. She subsequently worked at Dresdner Kleinwort Benson and SBC Warburg as a Director and pan European media analyst. She is a trustee of The Tavistock Trust for Aphasia, and has been a Non-executive Director of ITVdigital plc (formerly Ondigital plc), The Television Corporation plc and Bryant Group plc.

Non-executive Director: David Kogan ^ Δ

David Kogan is the Chief Executive and co founder of Reel Enterprises Limited, a company specialising in rights negotiations, channel development and sport in the UK and global media markets. Reel Enterprises Limited advises the BBC and other leading UK broadcasters as well as leading sports leagues such as the FA Premier League on all its media rights deals in the UK and overseas. In 1979 he worked as a marketing executive at Express Newspapers, and then in 1982 he joined the BBC where he worked as a senior producer on news and current affairs programmes such as 'Today', 'Newsnight' and 'Breakfast Time'. He was the BBC radio editor in New York in 1984/5. In 1988 he joined Reuters Television as Managing Editor. He subsequently became Managing Director in the United Kingdom and was then, for three years, the global Managing Director. He also acted as the launch Managing Editor of GMTV in 1993. In 1996 David joined the Granada Media Group as Executive Director of Granada Channels, which he left to create Reel Enterprises in 1998.

● Joined the Board 25th November 2005
^ Member of the Audit Committee
Δ Member of the Remuneration Committee

Directors' Report

The Directors have pleasure in presenting their report on the Group together with the audited financial statements for the year ended 31 August 2006.

Principal activity

Shed Productions Plc ("the Group") is an independent television production company. The Group specialises in contemporary, original drama and factual entertainment programming.

Results and Dividends

The results for the Group show a pre-tax profit of £6.6 million (2005: £4.5 million) for the year and sales of £43.5 million (2005: £25.7 million). The Group has net debt of £1.9 million (2005: Net Funds of: £5.6 million). Net cash flow from operating activities for 2006 was £10.1 million (2005: £25.8 million). The Group paid an interim dividend of 0.25p a share and the Directors have recommended a final dividend for 2006 of 1p per share, which subject to confirmation at the AGM, will be paid 9 February 2007 to shareholders on the register at 12 January 2007.

The final proposed dividend for 31 August 2005 of 1p per share was paid on 31 January 2006.

Business Review

Business environment

The independent television market has benefited from recent changes in the law. The Communications Act in 2003 and the corresponding changes in terms of trade have enabled producers to own and control the rights to the content they create. This new legislation has most benefited those companies that create valuable rights that sell well in international and UK secondary markets.

The emergence of new media is also an important development in the television market. New technology such as mobile phone streaming and internet downloading give independent producers more opportunities to exploit their content. It is those companies which own attractive, recognisable brands that platform owners need that will benefit most from these market developments.

The independent production sector has traditionally been fragmented with hundreds of companies producing a limited number of programmes and owning few, if any, of the rights to those programmes. The favourable changes to market conditions have enabled the emergence of a few dominant players strong enough to buy out smaller competitors. This has led to the creation of the "Super Indie" which benefits from diversification into different production genres thus mitigating the risks associated with creative businesses.

Within this competitive environment the Group has differentiated itself from its competitors by:

- *Business Model – Focussed on multiple profit streams rather than turnover*
- **Brands** – Creating powerful brands that sell internationally and across new platforms
- **Operating Margins** – Consistently delivering strong operating margins
- **Visibility of Revenue** – strong brands and a good reputation with broadcasters who re-commission existing brands and are open to new programme developments
- **Growth** – Organically through an expanding in-house talent pool and strategically through acquisition of brand – owning, brand creating companies.

Directors' Report (continued)

Strategy

The Group's overriding objective is to achieve attractive and sustainable rates of growth and returns through a combination of organic growth and acquisitions.

- Strong organic growth through:
  - Maintaining and securing key production talent
  - Building on success and reputation with broadcasters
  - Successful exploitation of programming rights
  - Building new broadcaster relationships in the UK and internationally and in particular the US

- Selective acquisition of companies meeting strict criteria:
  - Production companies in valuable genres
  - Brand owning and brand creating capabilities
  - Talent tied in by ownership
  - Right Price

Key performance indicators ("KPIs")

The board monitors progress on the overall Group strategy and the individual strategic elements by reference to five KPIs.

1. Growth in sales (%)

   Year on year sales growth expressed as a percentage. The increase is in line with our growth strategy. Sales have improved due to our successful acquisition and integration of Ricochet Limited in the period which has led to the Group diversifying its product through new television genre. Shed have seen a 69% growth in sales in the year.

2. Gross margin (%)

   Gross margin is the ratio of gross profit before exceptional items and goodwill amortisation to sales expressed as a percentage. Gross margin has improved on last year both within the existing company Shed 28% (2005:26%) and as a result of the acquisition of Ricochet 30%. This is due to the tight control over costs.

3. Operating Profit Margin (%)

   Operating Profit Margin is the ratio of operating profit before exceptional items and goodwill amortisation to sales expressed as a percentage. Gross Margin is important to maintain to ensure productions are profitable, but it is essential the Group keeps overheads under control and maintains a strong operating profit margin. The Group produced a strong operating margin in the year 18% (2005: 20%). The reduction was due to the operating profit margin of Ricochet Limited (14%) which was purchased during the year. The very nature of Ricochet's factual entertainment programming means it carries a proportionally larger overhead. However the combined operating margin is very strong compared to the industry as a whole and as a KPI will continue to be monitored by the Group.

4. Programming Hours

   The Group monitors commissioned programming hours per annum as a KPI. The Group produced 132 programme hours (2005: 44 programme hours).

Directors' Report (continued)

5 International Sales

It is important for the Group in order to grow as a business to continue to exploit their programmes in the international market. This performance target is reviewed quarterly and the Group anticipates per annum growth which enables continual growth of the business. This has grown 230% in the year. The Group looks to continue profitability in 2006/07 with the acquisition of Screentime Partners, a global distribution company.

Principal Risks

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the company.

The Directors consider the following to be the principal risks faced by the Group:

1 Competition

The Group operates in a highly competitive market with many companies, small and large, competing for broadcasters' commissions. For the Group to grow it needs to secure re-commissions of existing brands and have new programme brands ready to be commissioned when more mature ones fade. To mitigate the risk of a slow-down in the overall rate of growth our creative teams are constantly developing new programme brands to ensure a healthy pipeline of new productions.
A reputation for consistently delivering high quality programmes is a prime asset in the market and this reputation is dependent on maintaining a pool of high quality creative staff.

2 Key Creative Staff

The Group's performance depends largely on the retention of key creative staff. The loss of key individuals or failure to recruit sufficient talent with the right experience and skills can adversely impact the Group's results. During the period the Group has added to its pool of creative staff and encouraged commitment to the Group through share incentive plans. The Group has also successfully trained up younger staff members to take on creative roles and has been successful in retaining staff over the long term. When acquiring companies the Group ensures that the talent is tied in through share ownership and performance-based earn out schemes.

3 Control of Productions Costs

Once the executive producers have negotiated programme prices with the broadcasters, an internal budget is agreed and it is the responsibility of the production departments to ensure programmes are made within or below that budget. There is a risk that productions go over budget at some point during the production process. To control this risk the Group employ skilled production accountants who report into senior Shed management on at least a weekly basis. Any drift over budget can be dealt with quickly to ensure the overall production budget is adhered to. There is also adequate insurance in place for each production to cover any unforeseen problems that may affect the cost of production such as key cast illnesses or major equipment failure.

Directors' Report (continued)

Financial Risk Management

The Board regularly reviews the financial requirements of the Group and the risks associated therewith. The Group does not use complicated financial instruments and where financial instruments are used it is for reduced interest or exchange rate risk. The Group does not trade in financial instruments. Group operations are primarily financed from equity funds raised, retained earnings and bank borrowings (including overdraft facilities). In addition to the primary financial instruments, the Group also has other financial instruments such as debtors, prepayments, trade creditors and accruals that arise directly from the Group's operations. Further information is provided in note 18 to the financial statements.

Directors

The Directors of the Company are named on page 8 and 9, together with brief biographical notes. All Directors have been in office for the duration of the year unless stated on pages 8 to 9.

Directors' interests in shares and options

Details of Directors' interests in shares and share options can be found in the Director's Remuneration Report on pages 18 to 21.

Retirement and Re-elections of Directors

Jonathon Kemp, Ann McManus and Maureen Chadwick retire by rotation from office at the Annual General Meeting. Being eligible, these Directors will offer themselves for re-election in accordance with the Company's Articles of Association.

Substantial Shareholdings

Directors of the Group had been notified of the following interests, of 3% or more, in the Group's issued share capital at 27 November 2006.

Name	Holding at 27 November 2006	%
Mr Nicholas Powell	7,721,586	12.89
Eileen Gallagher	6,125,000	10.27
Ann McManus	6,125,000	10.27
Maureen Chadwick	6,125,000	10.27
Brian Park	6,125,000	10.27
Cyrte Investments	6,483,402	10.82
Aegon Asset Management	4,252,375	7.10
F&C Asset Management	3,180,022	5.31
Royal Bank of Scotland plc	2,770,939	4.62
Mr Nicholas Southgate	2,195,358	3.66
Rathbones	1,904,727	3.18

Directors' Report (continued)

Share Capital

Details of the share capital are shown in note 19 to the financial statements.

Registrar

The Registrars are Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Employees

The Group is committed to a policy of equal opportunity in matters relating to employment, training and career development of employees and is opposed to any form of less favourable treatment afforded on the grounds of disability, sex, age, race or religion.
The Group encourages the involvement of its employees in its management through regular meetings of senior management teams which have responsibility for the dissemination of information of particular concern to employees and for receiving their views on important matters of policy.

The Company operates a share option scheme to encourage employees. Details of this scheme are more fully described in note 19.

Political and Charitable Donations

The Group made no political or charitable contributions in the year (2005: £Nil).

Creditor Payment Policy and Practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

Trade creditor days for Shed Productions Plc for the year ending 31st August 2006 were 30 days (2005: 30 days) based on the ratio of company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

Corporate Governance

Detailed statements of the Company's Corporate Governance and the Group's system of internal control are set out on pages 16 to 17.

The Audit Committee

The committee comprises the following, all of whom are independent Non-executive Directors: Katherine Innes Ker (chair), David Kogan.

The Remuneration Committee

The committee comprises the following, all of whom are independent Non-executive Directors: David Kogan (chair), Katherine Innes Ker.

Directors' Report (continued)

Post Balance Sheet Events

On 25 September 2006 Shed Productions Plc acquired Screentime Partners a global distribution company. Details of this acquisition are given in note 27.

Statement as to Disclosure of Information to Auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting. Baker Tilly have confirmed their willingness to continue in office as auditors of the Company and a resolution to reappoint them will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting (AGM) will be held at Finsbury Business Centre, 40 Bowling Green Lane, Clerkenwell, London, EC1R 0NE on 17 January 2007. Formal notice and results of the Meeting are set out on pages 57.

Jonathon Kemp
Finance Director

Corporate Governance Report

The Directors support high standards of Corporate Governance and confirm that they intend to comply with the requirements of the new "Combined Code" on Corporate Governance ("the code") published in July 2003, so far as practicable given the size, nature and current stage of the development of the Group. The key Company objective is to enhance and protect shareholder value.

The Board of Directors

The Board consisted of nine Directors whose names and details appear on pages 8 to 9. Seven are Executive and two are Non-executive Directors. All the Non-executive Directors are considered to be independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement.

A formal schedule of matters is considered by the Board, which meets at least 10 times per year and keeps under constant review the need to hold additional Meetings. The Board is responsible for:

- Overall Group strategy
- Acquisitions
- Monitoring the operating and financial results against plans and budgets
- Ensuring that the necessary financial and human resources are in place for the company to meet its objectives
- Ensuring that the Group's obligations to its shareholders and others are understood and met

The following committees, which have written terms of reference, deal with specific aspects of the Group's affairs.

Audit Committee

The Audit Committee consists of the two Non-executive Directors and meets at least twice a year. It is responsible for ensuring that the financial activities of the Group are properly monitored, controlled and reported on. It meets the external auditors without Executive Directors being present and reviews reports from the auditors.

The Audit Committee recommends the appointment of the external auditors, reviews the audit fee and audit plan and pre-approves all non- audit work in respect of external auditors, prior to commitment by the Company.

Remuneration Committee

The Remuneration Committee consists of two Non-executive Directors. It reviews the performance of the Executive Directors and sets the scale and structure of their remuneration and that of senior management and the basis of their service agreements with due regard to the interests of shareholders. In determining the remuneration of the Executive Directors and senior management the committee seeks to ensure that the Company will be able to attract and retain executives of the highest calibre. It makes recommendations to the full Board concerning the allocation of incentive schemes to employees. No Director participates in discussions or decisions concerning his own remuneration.

Further details of the Company's policies on remuneration including details of Director's share options are given in the report of the Remuneration Committee report on pages 18 to 21.

Corporate Governance Report (continued)

Nomination Committee

The Directors consider that, given the size of the Board, nominations should be a matter for the Board as a whole, and accordingly there is no separate nomination committee. This will be reviewed regularly.

Internal Controls

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal and external publication. The effectiveness of the system of internal controls has been reviewed by the Directors and they are satisfied the controls are effective with regard to the size of the Group and the stage of its development. Any system of internal control can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable and not absolute assurance against material misstatement or loss.

Given the size of the Group, there is currently not an internal audit function; this will be reviewed as the Group grows.

Relationship with Shareholders

The Directors attach great importance to maintaining good relationships with shareholders. Communications with shareholders are given high priority. The Directors meet and discuss the performance of the Company with shareholders during the year. Queries raised by shareholders are promptly answered by whoever on the Board is best placed to do so. Investors are encouraged to participate in the Annual General Meeting at which the Chairman will present a review of the results and comment on current business activity. The Board will be available at the Annual General Meeting to answer shareholder questions.

Going Concern

After making enquiries the Directors have reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements. In forming this view the Directors have reviewed the Annual Profit Plan for the year ending 31 August 2007 and strategic plan projections for subsequent years. The Directors have satisfied themselves that the Group is in a sound financial position and sufficient borrowing facilities will be available to meet the Group's foreseeable cash requirements.

On behalf of the Board

Katherine Innes Ker

Directors' Remuneration Report

The following Report outlines the Company's policy on the remuneration of Executive Directors and gives details of the remuneration packages of Executive Directors and of the fees paid to Non-executive Directors for the year ended 31 August 2006. A resolution to approve the Report will be proposed at the Annual General Meeting of the Company. The Directors have applied the principals of good governance related to Director's remuneration as described below:

Remuneration Committee

The Remuneration Committee comprises two independent Non-executive Directors David Kogan (chair) and Katherine Innes Ker.

Remuneration Policy

The remuneration policy of the Committee and of the Board is to provide remuneration packages for the Executive Directors and other senior executives in the Group which are appropriate to the size and nature of the Group's business and which will attract and retain high calibre executives. It is the Company's policy that a substantial proportion of the Executive Directors' remuneration should be performance related in order to encourage and reward superior business performance and shareholder return and that remuneration should be linked to both individual and Company performance.

Accordingly, Executive Directors may earn up to an additional 50% of their basic salaries as a performance bonus and have benefited from participation in the Company's share option scheme, as set out below.

It is the policy of the Committee and the Board to maintain the above approach to remuneration packages for Executive Directors and other senior executives of the Group for the current financial year and future financial years, subject to review in the light of any changes in relevant legislation, regulations or market practice. The Committee will continue to review base salaries and performance targets to ensure that they align with the remuneration policy of the Committee and the Board and with the Company's strategic objectives. The individual salary, bonus and benefit levels of the Executive Directors are, and will continue to be, reviewed Annually by the Committee. This year the Committee has also undertaken a review of the longer term remuneration, with particular emphasis on selecting longer term incentives.

It is the Company's policy to employ Executive Directors under contracts with an indefinite term subject to termination by notice by either party of 12 months. Any compensation payable by the Company would be subject to normal legal principles of mitigation of loss. No compensation would be payable if the service contracts were to be terminated by notice from the Executive Director or for lawful termination by the Company. There are no provisions for payment of pre-determined compensation under the service contracts.

In relation to future appointments of Executive Directors, the Committee's and Board's policy will remain one of restricting notice periods to 12 months.

Details of individual Director's remuneration and share options are set out on pages 20 and 21 of this Report. The main components of the remuneration for Executive Directors are:

Directors' Remuneration Report (continued)

Basic Salary

The Company's policy is that basic salaries for Executive Directors' should take into account the individual's role and responsibilities, performance and experience. For an Executive Director who is experienced and fully effective in their role, basic salary is targeted at the retail market median for comparable roles.

Annual bonus

Executive Directors are eligible to receive an annual performance bonus up to a maximum of 50% of their annual basic salaries at the time the bonus scheme is announced. The amount of bonus is based on the achievement of profit targets specified and agreed at the beginning of the year. The performance targets for bonus entitlements are intended by the Remuneration Committee to create keen incentives to perform at the highest levels.

Share Option Schemes

On 14th March 2005 the Company adopted an EMI Scheme under which the Company employees (including Executive Directors) are eligible for the grant of options to acquire ordinary shares in the Company. Further details are in note 19.

Performance Share Plan

A key element of the Company's retention and reward strategy is to encourage employee share ownership and facilitate the retention of key staff and talent. The Company operates a Performance Share Plan (PSP) to provide additional share awards to certain employees to reward and motivate existing staff and attract key new hires. The PSP will allow participants to acquire shares subject to and to the extent that performance conditions are satisfied. Awards in the period are detailed in note 19.

Other benefits

Executive Directors are entitled to be provided with private healthcare insurance. Nicholas Powell is provided with a pension.

Non-executive Directors

The fees of the Non-executive Directors are determined by the Executive members of Board and are based on market surveys. The Company's practice is to appoint Non-executive Directors under letters of engagement rather than under service contracts. These letters of engagement set out fixed terms of appointment of three years, which may be extended with the agreement of the Board and subject to re-election by shareholders.

Executive Directors' Service Contracts

Details of the Executive Directors' service contracts are as follows:

	Date of service Agreement
Eileen Gallagher	18 March 2005
Brian Park	18 March 2005
Ann McManus	18 March 2005
Maureen Chadwick	18 March 2005
Jonathon Kemp	18 March 2005
Nicholas Powell	25 November 2005
Nicholas Southgate	25 November 2005

Directors' Remuneration Report (continued)

The Company may terminate any of the above service contracts by giving not less than 12 months notice. Any compensation payable by the Company for early termination would be subject to the normal legal principles of mitigation of loss. No compensation would be payable if a service contract were to be terminated by notice from any of the above Directors or for lawful early termination by the Company.

In concluding the service contracts for the Directors, the Company took into account the provisions of the Combined Code regarding notice periods for service contracts. In relation to future appointments of Executive Directors, the Committee's and Board's policy will remain one of restricting notice periods of termination in service contracts to twelve months.

Non-executive Directors: Letters of appointment

The Company's practice for the appointment of Non-executive Directors is consistent with the provisions of the Combined Code. Non-executive Directors are appointed under letters of engagement (rather than under service contracts).

Details of the Non-executive Directors' letters of engagement are as follows:

	Date of letter of engagement	Unexpired term at the date of this report
Katherine Innes Ker	18 March 2005	16 Months
David Kogan	18 March 2005	16 Months

Each letter of appointment is terminable by either party by giving not less than three months notice or by the Company on payment of fees in lieu of notice. No compensation would be payable to a Non-executive Director if his engagement were terminated as a result of him retiring by rotation at an Annual General Meeting, not being elected or re-elected at an Annual General Meeting or otherwise ceasing to hold office under the provisions of the Articles of Association of the Company.

Directors' Emoluments

	Salaries/ Fees	Bonuses	Benefits	Total remuneration 31 August 2006	Total remuneration 31 August 2005
	£	£	£	£	£
Executive Directors					
Eileen Gallagher	150,000	50,000	397	**200,397**	187,833
Brian Park	150,000	50,000	589	**200,589**	187,849
Ann McManus	150,000	50,000	397	**200,397**	187,833
Maureen Chadwick	150,000	50,000	589	**200,589**	187,849
Jonathon Kemp	125,000	50,000	284	**175,284**	138,793
Nicholas Powell	112,500	50,000	825	**163,325**	-
Nicholas Southgate	112,500	50,000	713	**163,213**	-
Non-executive Directors					
Katherine Innes Ker	61,467	-	-	**61,467**	23,205
David Kogan	36,467	-	-	**36,467**	11,378
Total	**1,047,934**	**350,000**	**3,794**	**1,4017,728**	**924,740**

Directors' Pension Entitlements

The company has made Pension Contributions to Nicolas Powell during the course of the year of £12,217 (2005: nil)

Directors' interests in Shares and Share Options

	Shareholdings as at 31 August 2006: Ordinary shares of 0.1p	Shareholdings as at 31 August 2005: Ordinary shares of 0.1p
Eileen Gallagher	6,125,000	6,125,000
Brian Park	6,125,000	6,125,000
Ann McManus	6,125,000	6,125,000
Maureen Chadwick	6,125,000	6,125,000
Jonathon Kemp	-	-
Nicholas Powell	7,437,708	-
Nicholas Southgate	2,479,236	-
Katherine Innes Ker	82,828	82,828
David Kogan	11,364	11,364

The only Director to hold share options at 31 August 2006 was Jonathon Kemp the details are disclosed in the table below

Date of grant	*No of Shares*	*Vesting Date*	*Expiry Date*	*Exercise Price*
18th March 2005	57,000	14/03/2005	14/03/2015	1p
18th March 2005	62,500	14/03/2007	14/03/2015	88p
18th March 2005	62,500	14/03/2008	14/03/2015	88p

The only Director to hold shares under the Performance Share Plan (PSP) is Jonathon Kemp the details are held below (2005: Nil). The details for this scheme are given above.

Date of grant	No of Shares	Date to be received
1st September 2005	114,679	31/08/2008

Approval

This report was approved by the Board of Directors on 18 December 2006 and signed on its behalf by

David Kogan
Chair – Remuneration Committee

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the Directors to prepare financial statements for each financial period which provide a true and fair view of the state of affairs of the Company and the Group and the profit and loss of the Group in that period. In preparing those statements the Directors are required to:

- Select appropriate accounting policies and apply them consistently
- Make judgements and estimates which are prudent and reasonable and
- State whether applicable accounting standards have been followed subject to any material departure disclosed and explained in the financial statements and to disclose and prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in business

The Directors confirm that the financial statements on pages 25 to 54 comply with all the above requirements.

The Directors are also responsible for maintaining adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which allow them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They also have a General responsibility in law for taking such suitable measures as are available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. They are also responsible for ensuring that the annual report includes information required by the AIM Rules of the Financial Services Authority.

The maintenance and integrity of the Shed Productions website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHED PRODUCTIONS PLC

We have audited the financial statements on pages 25 to 54.

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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions 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 Chairman's Statement, the Chief Executive's Report and Finance Director's 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 group's and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHED PRODUCTIONS PLC (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 August 2006 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly

BAKER TILLY
2 Bloomsbury Street
London
WC1B 3QR
Registered Auditor
Chartered Accountants
18 December 2006

Consolidated Profit and Loss Account
for the year ended 31 August 2006

	Notes	2006 Continuing £'000	2006 Acquisition £'000	2006 Total £'000	2005 Restated £'000
Turnover	1	24,268	19,219	43,487	25,691
Cost of Sales		(17,360)	(13,160)	(30,520)	(18,944)
Gross Profit		**6,908**	**6,059**	**12,967**	**6,747**
From Continuing Operations		6,908	6,059	12,967	6,772
From Exceptional Items	4				(25)
Other operating expenses (net)		(1,584)	(3,391)	(4,975)	(1,561)
Other operating expenses – exceptional items	4	-	-	-	(740)
Goodwill		-	(1,088)	(1,088)	-
Operating Profit		**5,324**	**1,580**	**6,904**	**4,446**
Interest receivable and similar income	2			133	25
Interest payable and similar charges	3			(437)	(2)
Profit on ordinary activities before taxation	5			**6,600**	**4,469**
Taxation	7			(2,310)	(1,531)
Profit on ordinary activities after taxation				**4,290**	**2,938**
Basic Earnings per ordinary share	10			**7.44p**	**12.4p**
Diluted Earnings per ordinary share	10			**7.37p**	**12.4p**

No statement of recognised gains and losses has been prepared as all such gains and losses have been dealt with in the profit and loss account.

Consolidated Balance Sheet
31 August 2006

	Notes	2006 £'000	2005 Restated £'000
Fixed Assets			
Tangible Assets	11	5,789	3,428
Goodwill	13	27,940	-
		33,729	3,428
Current Assets			
Stock and work in progress	14	203	1,517
Debtors	15	9,222	2,955
Cash at bank and in hand		6,631	5,612
Total Current Assets		16,056	10,084
Creditors: amounts falling due within one year	16	(21,160)	(4,014)
Net Current (liabilities) /assets		(5,104)	6,070
Total assets less current liabilities		28,625	9,498
Provisions for liabilities and charges	17	(5,323)	-
Net Assets		23,302	9,498
Capital and reserves			
Called up share capital	19	60	50
Share Premium	20	9,990	-
Other Reserves	19	213	50
Profit and loss account	21	13,039	9,398
Equity shareholders' funds		23,302	9,498

The accounts were approved by the Board of Directors and authorised for issue on 18 December 2006 and signed on its behalf by:

Eileen Gallagher
Chief Executive

Jonathon Kemp
Finance Director

Company Balance Sheet
31 August 2006

	Notes	2006 £'000	2005 £'000 Restated
Fixed Assets			
Tangible Assets	11	701	33
Investments	12	30,604	1
		31,305	34
Current Assets			
Debtors	15	4,796	5,991
Cash at bank and in hand		-	2,878
Total Current Assets		4,796	8,869
Creditors: amounts falling due within one year	16	(13,544)	(3,085)
Net Current (liabilities)/assets		(8,748)	5,784
Total assets less current liabilities		22,557	5,818
Provisions for liabilities and charges	17	(5,000)	-
Net Assets		17,557	5,818
Capital and reserves			
Called up share capital	19	60	50
Share Premium	20	9,990	-
Other Reserves	19	213	50
Profit and loss account	21	7,294	5,718
Equity shareholders' funds		17,557	5,818

The accounts were approved by the Board of Directors and authorised for issue on 18 December 2006 and signed on its behalf by:

Eileen Gallagher
Chief Executive

Jonathon Kemp
Finance Director

Consolidated Cash flow
for the year ended 31 August 2006

	Notes	2006 £'000	2005 £'000
Net Cash Inflow from Operating Activities	1	10,369	25,759
Returns on investment and service of finance			
Interest received		133	25
Interest paid		(437)	(2)
Net Cash (Outflow) / Inflow from returns on investment and servicing of finance		(304)	23
Taxation		(4,390)	(1,029)
Capital Expenditure			
Payments to acquire film assets		(3,124)	(21,594)
Payments to acquire tangible fixed assets		(28)	(21)
Net Cash Outflow from capital expenditure and financial investments		(3,152)	(21,615)
Acquisition			
Purchase of subsidiary undertaking		(7,500)	-
Expenses to acquire subsidiary undertaking		(603)	-
Cash held by subsidiary undertaking on acquisition		6,248	-
Net Cash Outflow for acquisition		(1,855)	-
Equity Dividends Paid		(649)	-
Net Cash Inflow before use of liquid resources and financing		19	3,138
Financing			
New borrowings		1,000	-
Net Cash Inflow from financing		1,000	-
Increase in cash		1,019	3,138

Notes to the Consolidated Cash Flow Statement for the year ended 31 August 2006

I. Reconciliation of operating profit to net cash inflow from operating activities

	2006 £'000	2005 £'000
Operating Profit	6,904	4,446
Depreciation charge	1,979	20,294
Goodwill amortisation	1,088	-
Share Scheme Charge	163	50
Decrease in stocks	1,314	3,405
Increase in debtors	(1,795)	(1,538)
Increase / (Decrease) in creditors	716	(898)
Net Cash inflow from operating activities	*10,369*	*25,759*

II. Analysis of movement in the Group's net funds in the period

	At 1 September 2005 £'000	Cash flow £'000	Acquisitions £'000	At 31 August 2006 £'000
Cash at Bank and in hand	5,612	(5,229)	6,248	6,631
Bank Loans	-	(1,000)	-	(1,000)
	5,612	(6,229)	6,248	5,631

Notes to the Consolidated Cash Flow Statement (continued)

III. Reconciliation of Net Cash Flow to movement in Net Funds

	2006 £'000	2005 £'000
Increase in cash in the period	1,019	3,138
Cash (inflow) from increase in debt and lease financing	(1,000)	-
Change in net funds resulting from cash flows	19	3,138
Net Funds at 1 September 2005	5,612	2,474
Net Funds at 31 August 2006	5,631	5,612

IV. Non Cash Movements

On 25 November the Group increased issued Share Capital as part of the acquisition of Ricochet Limited see note 19 for details. On 24 November 2005 the Group issued redeemable loan notes for £7.5m to fund the acquisition of Ricochet.

Reconciliation in Movement of Shareholders' Funds for the year ended 31 August 2006

	Group		Company	
	2006	2005 Restated		2005
	£'000	£'000	£'000	£'000
Profit for the year	4,290	2,938	1,576	622
Equity Dividends (Paid)	(649)	-	-	-
	3,641	2,938	1,576	622
New share capital subscribed	10,000	50	10,000	50
Other Reserves	163	50	163	50
Net Increase in shareholders' funds	13,804	3,038	11,739	722
Opening shareholders' funds as previously reported	8,998	6,460	5,818	5,096
Prior year adjustment (note 28)	500	-	-	-
Opening shareholders' funds as restated	9,498	6,460	5,818	5,096
Closing shareholders' funds	23,302	9,498	17,557	5,818

Accounting policies

The principal accounting policies, which have been consistently applied in the Group's financial information throughout the year under review, are as follows:

Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

The company has adopted FRS21 'Events after the Balance Sheet Date' from 1 September 2005. This means dividends are now recognised in the period when declared.

Basis of consolidation

The consolidated financial information incorporates the financial information relating to the Company and its subsidiary undertakings made up to 31 August 2006.

Development Expenditure

Development expenditure has been written off as incurred, unless the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the development expenditure is deferred.

Tangible fixed assets

Tangible fixed assets are stated at historical cost.

For programme assets, depreciation is provided in accordance with the income forecast method whereby depreciation is taken to the profit and loss account on a pro rata basis calculated as the income received in the accounting period in relation to the expected revenue over the life of the programme.

This method has been reviewed in the period so that a proportion of the total cost of production has been capitalised and subsequently depreciated. In prior periods the entire cost of production was capitalised and then depreciated. This review in depreciation method has led to a prior year adjustment to brought forward cost and depreciation. Further details are disclosed in note 28 to the accounts.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Fixtures, fittings & equipment 25% straight line

Computer equipment 50% straight line

Accounting policies (continued)

Programme assets held under finance leases

Programme assets 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 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.

Operating Leases

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Going Concern

The Directors regularly review the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements. See corporate governance statement for additional information.

Investments

Fixed asset investments are stated at cost less any provision for diminution in value.

Stock and Work In Progress

Work in progress is stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the television productions to their present stage of completion.
Net realisable value is based on the estimated selling price less further costs expected to be incurred to completion and disposal.

Foreign currencies

Assets and liabilities denominated 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 to the profit and loss account for the year.

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 Group'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.

Accounting policies (continued)

Turnover

Turnover represents amounts receivable for work carried out in producing television programmes and is recognised over the period of the production or as per the contract where payment is dependent on materials delivery. Gross profit on production activity is recognised over the period of the production or in accordance with the underlying contract and where there is uncertainty of this being realised overages on productions are recognised as they arise and underages are recognised on completion of the productions.
Distribution income is recognised when invoiced by the distributor, as per the contract.

Goodwill

The goodwill arising on acquisitions has been capitalised and amortised on a straight line basis over 20 years from the date of acquisition. The amortisation period is considered by directors to be a reasonable estimate of useful economic life. Goodwill is based on the difference between the fair value of the consideration including all costs relating to the acquisition and the net assets of the acquired entity (after fair value adjustments.)

Notes to the Financial Statements for the year ended 31 August 2006

1. Turnover and Profit on Ordinary activities before Taxation

The Group's turnover, gross profit before taxation and net assets are derived from its principal activity being the provision of television and film production services and the exploitation of the rights in those productions.

Sales were made in the following geographical markets:

	2006 £'000	2005 £'000
United Kingdom	30,734	25,060
USA	8,063	-
Rest of world	4,690	631
	43,487	25,691

Profit before tax was made in the following geographical markets:

	2006 £'000	2005 £'000
United Kingdom	2,986	3,838
USA	440	-
Rest of world	3,174	631
	6,600	4,469

Net Assets can split into the following geographical markets:

	2006 £'000	2005 £'000
United Kingdom	23,246	9,498
USA	56	-
	23,302	9,498

Notes to the Financial Statements
for the year ended 31 August 2006

2. Interest receivable and similar income

	2006 £'000	2005 £'000
Bank interest receivable	133	25

3. Interest Payable and similar charges

	2006 £'000	2005 £'000
Interest payable	437	2

4. Exceptional Items

	2006 £'000	2005 £'000
Turnover and COS	-	
National Insurance Rebate	-	550
2005 Turnover, relating to prior period	-	(575)
	-	(25)
Administrative Expenses	-	
Costs associated with floating on the Alternative Investment Market (AIM)		(740)

5. Profit on ordinary activities before taxation

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation is arrived at after charging/(crediting)		
Operating lease rentals		
- property rents	237	445
Depreciation of tangible fixed assets		
- owned assets	1,979	20,269
- production assets under finance leases	-	25
Auditors' remuneration		
- audit fee	97	63
- other fees payable to the auditors	52	117
Exchange rate – gain/losses	226	-
Goodwill amortisation	1,088	-

The total of other fees payable to Baker Tilly during the period ended 31st August 2006 was £127k of which £75k related to the acquisition of Ricochet in note 26.

Notes to the Financial Statements for the year ended 31 August 2006

Profit on ordinary activities before taxation (continued)
Non audit services

	2006 £'000	2005 £'000
Assurance related services (relating to the acquisition)	-	90
Taxation services	20	19
Other services	32	8
	52	117

6. Employee Costs

The aggregated remuneration of all employees *including Directors comprised:*	2006 £'000	2005 £'000
Wages and salaries	9,123	2,294
Social Security Costs	484	192
	9,607	2,486

Average number of persons employed by the Group during the period

	Number	*Number*
Management and administration	118	6
Technical	133	55
	251	61

There was an average of 140 self-employed production people during the year (2005:36). Self-employed production people were paid a total of £4,797,446 (2005: £2,703,478).

Notes to the Financial Statements for the year ended 31 August 2006

7. Taxation

	Notes	2006 £'000	2005 £'000
Current taxation			
UK corporation tax charge for the period		2,250	1,539
Adjustment in respect of prior periods		(6)	(8)
Total current tax		2,244	1,531
Deferred tax		66	-
Total tax		**2,310**	**1,531**

The current tax charge is reconciled with the standard rate of UK corporation tax as follows:

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	6,600	4,469
UK corporation tax at standard rate of 30%	1,980	1,344
Factors affecting the charge for the period:		
Capital allowances in excess of depreciation	(116)	1
Tax losses / not utilised		6
Small companies relief		(5)
Other disallowable expenses	358	249
Other tax adjustments	22	(64)
Current tax charge for period	**2,244**	**1,531**

8. *Profit of the holding Company*

Of the profit for the financial period a profit of £1,726,003 (2005: £621,849) is dealt with in the accounts of Shed Productions Plc. The Directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company alone.

Notes to the Financial Statements for the year ended 31 August 2006

9. Dividends Group

An interim dividend for 2006 of 0.25p amounting to £149,000 was paid on 23rd June 2006 (2005: £Nil interim dividend).

	2006	2005 Restated
	£'000	£'000
2005 dividend – 1p per ordinary share	500	-
Interim 2006 Dividend – 0.25p per ordinary share	149	-
Equity Dividends Paid in the year	*649*	-
Final Proposed Dividend 1p per ordinary share	650	-

The final dividend will be payable on 9 February 2007 to shareholders registered at the close of business on 12 January 2007, subject to approval at the AGM on 17 January 2007. The ex-dividend date will be 10 January 2007.

10. Earnings per ordinary share

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares has been adjusted for the issue of shares during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion for all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares, determined in accordance with the provisions of FRS 22.

	2006 No of shares	2005 No of shares
Weighted average number of shares in issue	57,634,688	23,661,370
Weighted average number of dilutive shares - share options	516,910	59,694
Total number of shares for calculating diluted earnings per share	58,151,598	23,721,064

Notes to the Financial Statements for the year ended 31 August 2006

10. Earnings per ordinary share (continued)

The alternative measure of earnings per share is provided because it reflects the Group's underlying trading performance by excluding the effect of exceptional items.

	2006 £'000	2005 £'000
Basic and diluted earnings	4,290	2,938
Exceptional items net of tax	-	765
Goodwill	1,088	-
Share Scheme Charge	163	-
Underlying earnings before exceptional items, goodwill and share option charge	**5,541**	**3,703**

The 2005 figure excludes the share option charge of £50,000

Earnings per share is calculated as follows:

	2006 p	2005 p
Basic earnings per ordinary share	7.44	12.4
Diluted basic earnings per ordinary share	7.37	12.4
Basic earnings per ordinary share before goodwill, share option charge and exceptional items	9.61	15.6
Diluted basic earnings per ordinary share before goodwill, share option charge and exceptional items	9.53	15.6

Notes to the Financial Statements for the year ended 31 August 2006

11. Tangible Fixed Assets – Group

	Programme Assets £'000	Fixtures & Fittings £'000	Total £'000
Cost			
At 1 September 2005	79,238	71	79,309
Prior year adjustment (note 28)	(70,838)	-	(70,838)
At 1 September 2005 (restated)	**8,400**	**71**	**8,471**
Additions	3,663	904	4,567
At 31 August 2006	**12,063**	**975**	**13,038**
Depreciation			
At 1 September 2005	75,842	39	75,881
Prior year adjustment (note 28)	(70,611)	-	(70,611)
At 1 September 2005 (restated)	**5,231**	**39**	**5,270**
Depreciation for the period	1,723	256	1,979
At 31 August 2006	**6,954**	**295**	**7,249**
Net book value at 31 August 2006	**5,109**	**680**	**5,789**
Net book value at 31 August 2005	3,396	32	3,428

The above titles include 177 drama hours and 267 factual hours of programming.

On 19 May 1999, the Group sold production costs of Bad Girls - series 1, totalling £5,223,539 and simultaneously leased them back for the same amount.
On 30 March 2000, the Group sold production costs of Bad Girls - series 2, episodes 1-7 totalling £3,390,584 and simultaneously leased them back for the same amount. In addition, on 20 April 2000, the Group sold production costs of episodes 8-13 totalling £2,953,539 and simultaneously leased them back for the same amount.
On 3 April 2001, the Group sold production costs of Bad Girls - series 3, episodes 1-7 totalling £3,645,576 and simultaneously leased them back for the same amount. In addition, on 3 August 2001, the Group sold production costs of episodes 8-16 totalling £4,773,970 and simultaneously leased them back for the same amount.
On 29 December 2001, the Group sold production costs of Bad Girls - series 4, episodes 1-10 totalling £5,174,708 and then leased them back for the same amount on 28 March 2002. In addition, on 13 March 2002, the Group sold production costs of episodes 11-16 totalling £3,346,552 and then leased them back for the same amount on 19 July 2002.
On 19 December 2001, the Group sold production costs of Footballers' Wives - series 1, totalling £4,494,569 and then leased them back for the same amount on 28 March 2002.
On 12 November 2002, the Group sold production costs of Footballers' Wives - series 2, totalling £4,582,492 and then leased them back for the same amount on 28 March 2003.
The programmes are held under finance leases The net book value of programme assets held under finance leases is £651,739 (2005 £954,607.)

Notes to the Financial Statements for the year ended 31 August 2006

11. Tangible Fixed Assets – Company

	Programme Assets	Fixtures, Fittings and Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 September 2005	-	71	71
Transfer from subsidiaries	788	-	788
Additions	-	28	28
At 31 August 2006	788	99	887
Depreciation			
At 1 September 2005	-	38	38
Depreciation for the period	123	25	148
At 31 August 2006	123	63	186
Net book value at 31 August 2006	665	36	701
Net book value at 31 August 2005	-	33	33

12. Fixed Asset Investments Company

	Notes	£'000
Shares in Group undertakings		
Cost		
At 1st September 2005		1
Additions	25	30,603
At 31st August 2006		30,604

Notes to the Financial Statements for the year ended 31 August 2006

12. Fixed Asset Investments – Group (continued)

Principal Subsidiaries

The investment in subsidiary undertakings as at 31st August 2006 is as follows:

Name	Principal Activity	% Ownership ordinary shares
Shed Productions (Jailbirds) Limited*	Television Production	100
Shed Productions (ET) Limited*	Television Production	100
Shed Productions (WR) Limited*	Television Production	100
Shed Productions (DH) Limited*	Television Production	100
Shed Productions (Bad Girls) Limited*	Television Production	100
Shed Productions (FW) Limited*	Television Production	100
Shed Productions (FW2) Limited*	Television Production	100
Shed Productions (FW4) Limited*	Television Production	100
Shed Productions (Fugitives) Limited*	Television Production	100
Ricochet Limited*	Television Production	100
Ricochet Productions Limited*Δ	Television Production	100
Ricochet Digital Limited* Δ	Television Production	100
Supernanny USA inc Δ**	Television Production	100
Ricochet Television Inc Δ**	Television Production	100

Joint Ventures

The investment in Joint Ventures as at 31st August 2006 is as follows:

Name	Principal Activity	% Ownership ordinary shares
All Banged Up Limited*	Non trading	50
Fightbox Limited*Δ	Non trading	50

* Registered in England and Wales
Δ Indirectly Owned
** Registered in California; United States of America

Neither Joint Venture is material to the Group for disclosure purposes.

Notes to the Financial Statements for the year ended 31 August 2006

13. Goodwill - Group	Notes	£'000
Cost		
Cost at 1st September 2005		-
Additions	25	29,028
At 31st August 2006		**29,028**
Amortisation		
Amortisation at 1st September 2006		-
Amortisation Charge in Period		(1,088)
At 31st August 2006		**(1,088)**
At 31 August 2006		**27,940**
At 31 August 2005		-

14 Stocks and work in progress

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Work in Progress	203	1,517	-	-
	203	1,517	-	-

15. Debtors	Notes	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 Restated £'000
Trade Debtors		5,632	1,610	261	211
Amounts owed to Group Undertakings		-	-	2,621	4,717
Other Debtors		767	974	572	696
Prepayments and accrued income		2,746	371	1,137	367
Corporation Tax Debtor		-	-	135	-
Deferred tax asset	17	77	-	70	-
		9,222	2,955	4,796	5,991

Notes to the Financial Statements for the year ended 31 August 2006

16. Creditors: amounts falling due within one year

	Group		Company	
	2006 £'000	2005 £'000 Restated	2006 £'000	2005 £'000 Restated
Revolving Loan Facility	1,000	-	1,000	-
Loan Notes	7,500	-	7,500	-
Bank Overdrafts	-	-	45	-
Payments received on account	5,700	-	-	-
Trade Creditors	432	284	49	66
Amounts due to Group Undertakings	-	-	3,879	1,829
Corporation tax	401	1,617	-	621
Other taxation and social security	1,280	948	280	130
Other creditors	690	1	1	1
Accruals and deferred Income	4,157	1,164	790	438
	21,160	4,014	13,544	3,085

The unsecured loan notes are redeemable for 18 months from 25 November 2005 and are at an interest rate of 3%. The secured revolving loan facility was set up to finance the acquisition of Ricochet and is subject to an interest rate of 1.4% over the base rate. This is secured by a debenture over the company

17. Provisions for liabilities and charges

		Group	
	Deferred Consideration £'000	Deferred Taxation £'000	Total £'000
Opening position at 1st September 2005	-	-	-
Utilised in the year	-	-	-
Transfer to Profit and Loss		142	142
Acquired with Ricochet Limited	5,000	181	5,181
Reversed in the year	-	-	-
Balance at 31 August 2006	5,000	323	5,323

Notes to the Financial Statements for the year ended 31 August 2006

17. Provisions for liabilities and charges (continued)

	Deferred Consideration £'000	Company Deferred Taxation £'000	Total £'000
Opening position at 1st September 2005	-	-	-
Utilised in the year	-	-	-
Transfer from Profit and Loss	-	-	-
Acquired with Ricochet Limited	5,000	-	5,000
Reversed in the year	-	-	-
Balance at 31 August 2006	5,000	-	5,000

Provision for deferred tax has been made as follows:

	Notes	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Accelerated capital allowances		340	-	(3)	-
Other timing differences		(43)	-	(67)	-
		247	-	(70)	-
Net provision at start of period		-	-	-	-
Acquired with Ricochet Limited		181	-	-	-
Net deferred tax charge in profit and loss account for the period	7	66	-	(70)	-
Net provision at end of period		247	-	(70)	-
Disclosed within debtors	15	76	-	70	-
Gross Provision as above		323	-	-	-

The deferred consideration is payable on Ricochet Limited's performance conditions set at 31st August 2006 and 31st October 2006. These have now been met and the deferred consideration will be payable in shares 10 business days after the conditions have been signed off by the auditors.

18. Financial Instruments

The Group's financial instruments principally comprise borrowings, cash at bank, loan notes and various items such as trade debtors and creditors that arise directly from operations. The main purpose of these financial instruments is to raise money for the Group's operations.

Although the majority of transactions the Group undertakes are with UK broadcasters, UK Suppliers and UK distributors in UK Sterling, the Group does have a satellite office in the United States of America and enters into contractual arrangements with American broadcasters. Contractual arrangements are also from time to time made in US dollars by the UK entities within the Group. In certain circumstances some purchasing takes place with overseas suppliers who bill in local currency.

Where exchange risk is perceived the Group considers it exposure and uses financial instruments to reduce this risk. At 31 August 2006 the Group did not have any financial instruments in place.

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures

a) Financial Assets

There is no material difference between book value and fair value of the Group's financial assets

	2006 £'000	2005 £'000
Cash at bank in hand –variable rate of interest	6,631	5,612

Interest accrues on the banks overnight rate

b) Financial Liabilities

	2006 £'000	2005 £'000
Variable Rate Loan facility	1,000	-
Loan Notes	7,500	-

c) Currency exposures

The Group reviews currency risk and considers hedging when occasionally entering into large foreign currency contracts to eliminate the cost. At the year end there were no foreign exchange hedges (2005:Nil)

Notes to the Financial Statements for the year ended 31 August 2006

18. Financial Instruments (continued)

d) Borrowing Facilities

The Group has borrowing facilities available at 31 August 2006 of £4.5m (2005: Nil), at 31 August 2006 3.5m remained undrawn.

	Fixed Rate £'000	Floating Rate £'000	Non-interest bearing £'000	Total £'000
Sterling	(7,500)	(1,000)	-	-
Total	(7,500)	(1,000)	-	-

	Average interest rate (%) of fixed rate financial liabilities	Average months to maturity of fixed liabilities
Sterling	3	3

e) Fair values of financial assets and liabilities

The fair value of the Group's financial assets and liabilities is not considered to be materially different from their book values.

f) Liquidity Risk

The Group reviews its cash position on a monthly basis and ensures it has sufficient access to cash for its operational needs. The repayment of the loan notes, £7.5m (2005:nil) will be financed by a new secured revolving loan facility, which was agreed, on 24 November 2006.

Notes to the Financial Statements for the year ended 31 August 2006

19. Share Capital - Group and Company	2006 £'000	2005 £'000
Authorised:		
80,000,000 ordinary shares at 0.1 pence each	80	60
Allotted issued and fully paid		
59,916,944 ordinary shares at 0.1 pence each	60	50

On 25 November 2005 the issued share capital was increased from 50,000,000 to 59,916,944 through the issue of 9,916,944 ordinary shares of 0.1p each. This was to fund the acquisition of Ricochet Limited.
On 17 January 2006 the authorised share capital was increased to 80,000,000 ordinary shares through the passing of a resolution at the AGM.

Share Options

At 31 August 2006 the following options had been granted through the EMI Share Option Scheme.

At 1 September 2006 options over ordinary shares of 0.1p each	Granted in the year options over ordinary shares of 0.1p each	At 31 Aug 2006 options over ordinary shares of 0.1p each	Date from which exercisable	Expiry date	Exercise Price
57,000	-	57,000	14/03/05	14/03/15	0.1p
179,959	-	179,959	14/03/07	14/03/15	88p
179,959	-	179,959	14/03/08	14/03/15	88p
47,874	-	47,874	01/05/05	01/05/15	0.1p
-	25,000	25,000	25/11/07	25/11/15	88p
-	25,000	25,000	25/11/08	25/11/15	88p
-	28,500	28,500	25/05/08	25/05/15	125.5p
-	28,500	28,500	25/05/09	25/05/16	125.5p
-	185,000	185,000	25/11/07	25/11/16	107p
464,792	*292,000*	*756,792*	-	-	-

At 31 August 2006 the following shares were granted through the Performance Share Plan (PSP)

Date of grant	No of Shares	Date to be received
1 September 2005	292,671	31/08/2008

The share price at 31 August 2006 was 138p and the highest and the lowest share price during the year ended was 31 August 2006 was 152.5p and 96.5p respectively.

Notes to the Financial Statements for the year ended 31 August 2006

19. Share Capital

Other Reserves

The balance held in other reserves, both within the Group and the Company relates to payments due for the above share schemes as per UITF 17. At 31 August 2006 this was £212,544 (2005:£49,950.) This will be released as the shares and options are granted or employees leave. The amount charged in the year was £162,594.

20. Share Premium

	2006 £'000
At 1 September 2005	-
Premium on allotment during the year	9,990
At 31 August 2006	**9,990**

21. Reserves - Group

	2006 £'000
Profit and loss:	
1 September 2005- as previously reported	8,898
Prior year adjustment (Note 28)	500
1 September 2005 - restated	**9,398**
Profit for year	4,290
Equity dividends paid (Note 8)	(649)
31 August 2006	**13,039**

21. Reserves - Company

	2006 £'000
Profit and loss:	
1 September 2005 - as previously reported	5,718
Profit for year	1,576
31 August 2006	**7,294**

In the current year, the Group has adopted FRS 21 – Post Balance Sheet Events - for the first time. As a result final dividends can only be recognised once they have been passed by the members at a General Meeting, and Interim dividends recognised only in the period in which they were paid.

This has had the effect of increasing the brought forward profit & loss reserve by reversing the proposed dividend of £500,000 in the 2005 accounts and reducing the creditor (proposed dividend) by the same amount.

Notes to the Financial Statements for the year ended 31 August 2006

22. Commitments under operating leases

The Group was committed to making the following payments during the next year under non-cancellable operating leases as follows:

	2006 £'000	2005 £'000
Land and buildings		
Expiring in the first year	33	342
Expiring between two and five years	210	37
Expiring after five years	231	-
	474	379

23. Capital Commitments

At each year-end the Group was committed to making the following capital payments during the next year in respect of operating leases

	2006 £'000	2005 £'000
Land and buildings	305	-

24. Related Party Disclosures

The Group had no related parties to disclose at 31 August 2006 (2005: Nil). The Group has taken *advantage of the exemption not to disclose transactions between Group companies.*

Notes to the Financial Statements for the year ended 31 August 2006

25. Substantial transactions

The Group has entered into various sale and leaseback transactions on the television programmes "Bad Girls series 2,3 and 4" and "Footballers Wives series 1 and 2". Amounts are held on deposit accounts as a result of these transactions and comprise money 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 lease liabilities. A liability would only crystallise upon the failure of the bank holding the deposit. This is considered remote. The amounts involved are as follows:

	2006 £'000	2005 £'000
Amounts held on deposit	13,019	14,218
Less: loans outstanding	(13,019)	(14,218)
	-	-
The maturity of the above amount is as follows:		
Less than one year	1,199	1,199
Two to five years	5,428	5,428
Over five years	6,392	7,591
	13,019	14,218

26 Acquisitions

On 25 November 2005 the Group acquired the issued share capital of Ricochet Limited for cash consideration of £7.5 million, £10.0 million through the issue of 9,916,944 new Ordinary Shares at 100.8375 pence per share, representing 16.6% of the enlarged issued share capital of the Company, and £7.5 million in loan notes redeemable from the first anniversary of completion, with a further £5.0 million in shares payable upon conditional performance conditions that were satisfied at 31st October 2006.
This acquisition has been incorporated into the Group's balance sheet at the fair value at the date of acquisition.

Ricochet made a profit of £2,671,561 in the pre acquisition period 1 May 2005 to 24 November 2005.

26 Acquisitions (continued)

Assets and liabilities acquired

	Book Value	Fair Value Adjustments	Accounting Alignment Adjustments	Fair Value
	£'000	£'000	£'000	£'000
Tangible fixed assets	433	-	666	1,099
Debtors	4,502	(183)	-	4,319
Cash at bank and in hand	6,248	-	-	6,248
Creditors	(9,808)	(102)	-	(9,910)
Provisions for liabilities & charges			(164)	-
	(17)	-		(181)
Net Assets Acquired	**1,358**	**(285)**	**502**	**1,575**
Goodwill capitalised				29,028
Total Cost of Acquisition				**30,603**
Comprising				
Cash				7,500
Loan notes				7,500
Shares allotted				10,000
Deferred consideration - shares to be allotted				5,000
Costs				603
Total				**30,603**

The adjustments have been made to align Ricochet Limited's accounting policies to those of the Group. This includes the capitalisation of programme assets in line with the Group's policy and also from a post acquisition balance sheet review and changes to debtors and taxation.

A summary of Ricochet Limited the financial results for the year ending April 05

	2005
	£ '000
Turnover	15,267
Gross profit	3,188
Operating profit	2,133
Profit before tax	2,098

Notes to the Financial Statements for the year ended 31 August 2006

27. Post Balance Sheet Events

On 28 September 2006 Shed Productions Plc announced the acquisition of Screentime Partners, a global distribution company. The initial consideration is £2.0 million payable in a mixture of cash and ordinary shares, with a further £1.0 million payable in a mixture of cash and ordinary shares dependent upon Screentime's financial performance up to 30 June 2008.
In the year ended 30 June 2006, Screentime Partners Limited generated a loss before tax of £59,314 on turnover of £1,316,591

28 Prior Year Adjustments

The Group has adopted FRS 21 in the period which has led to a prior year adjustment on the statement of dividends. Dividends are now accounted for in the period they are paid instead of when proposed.
This has had the effect of increasing the brought forward profit & loss reserve by reversing the proposed dividend of £500,000 (2005: Nil) and reducing the creditor (proposed dividend) by the same amount.

The Group has also reviewed its depreciation of programme assets accounting policy and now only capitalises a proportion of COS based on an income forecasting method. This has led to a prior year restatement of brought forward cost and depreciation of programme assets, £70,838,000 and £70,611,000 respectively (2005: Nil).

Shareholder Information

Analysis of Shareholders

Results and Financial Calendar

Annual General Meeting
Final Dividend Payable

Annual General Meeting

The Annual General Meeting of Shed Productions plc ("Company") will be held at Finsbury Business Centre, 40 Bowling Green Lane, Clerkenwell, London, EC1R 0NE on 17 January 2007 at 12pm. Each shareholder is entitled to attend and vote at the Meeting. A circular relating to the 2006 Annual General Meeting is included within the Annual Report and accounts on page 57. The Form of Proxy for use at that Meeting accompanies this Annual Report and Accounts separately.

Dividend Payments

The recommended final dividend (if approved at the 2006 Annual General Meeting) will be paid on 9 February 2007 to shareholders on the register at 12 January 2007. All dividends will be paid by cheque.

Shareholder Information on the internet

The Company maintains an investor relations zone on its website (www.shedproductions.com) which contains links to useful investor information.

Company Information

Registrars
Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registered Head Office
2 Holford Yard
Cruikshank Street
London
WC1X 9HD

Auditors
Baker Tilly
2 Bloomsbury Street
London
WC1 3ST

Brokers
Bridgewell
Old Change House
128 Queen Victoria Street
London
EC4V 4BJ

A copy of this Annual report is being sent to all shareholders. The Report is also placed on the investor relations section of the Company's website. www.shedproductions.com

SHED PRODUCTIONS plc
NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shed Productions plc ("Company") will be held at Finsbury Business Centre, 40 Bowling Green Lane, Clerkenwell, London, EC1R 0NE on17th January 2007 at 12pm for the following purposes:

RESOLUTIONS

To consider and, if thought fit, pass the following resolutions. Resolutions 1 to 8 will be proposed as ordinary resolutions and resolution 9 and will be proposed as a special resolution.

1. To receive the Directors' report and the Company's annual accounts for the year ended 31 August 2006, together with the auditors' report on those accounts.
2. To approve the Directors' remuneration report for the year ended 31 August 2006.
3. To declare a final dividend for the year ended 31 August 2006 of 1 pence per ordinary share in the capital of the Company, to be paid on 9 February 2007 to shareholders whose names appear on the register at the close of business on 12 January 2007.
4. To reappoint Jonathon Kemp, as a Director of the Company.
5. To reappoint Ann McManus, as a Director of the Company.
6. To reappoint Maureen Chadwick, as a Director of the Company.
7. To reappoint Baker Tilly as auditors of the Company to hold office from the conclusion of the Meeting until the conclusion of the next General Meeting of the Company at which accounts are laid and to authorise the Directors to fix the remuneration of the auditors.
8. That, pursuant to section 80 of the Companies Act 1985 ("Act") and in substitution for all existing authorities (save to the extent already utilised) under that section, the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £21,675, provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may make an offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired.
9. That, subject to the passing of resolution 8, pursuant to section 95 of the Act and in substitution for all existing authorities (save to the extent already utilised) under that section, the Directors be and are Generally empowered to allot equity securities (within the meaning of sections 94(2) to 94(3A) of the Act) for cash pursuant to the authority conferred by resolution 8 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   (i) the allotment of equity securities in connection with an offer (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange;

(ii) the allotment of equity securities for cash (otherwise than pursuant to paragraph (i) above) up to an aggregate nominal amount of £3,251, and (unless previously revoked, varied or renewed) shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

This power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 94(3A) of the Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred by resolution 8" were omitted.

By order of the board

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Jonathan Kemp
Finance Director
18 December 2006

Registered office
2 Holford Yard
Cruickshank Street
London
WC1X 9HD

Notes

1. A member of the Company entitled to attend and vote at the above Meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not also be a member of the Company.

2. Completion and return of a form of proxy does not preclude a member from attending and voting at the Meeting in person should he so wish.

3. A form of proxy is enclosed and to be valid must be returned so as to reach the Company's registrar, Capita Registrars, Proxy Department, PO Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4TU (together with a letter or power of attorney or other written authority, if any, under which it is signed or a notarially certified or office copy of such power or written authority) not later than 12pm on 15 January 2007 being 48 hours before the time fixed for holding the Meeting or any adjournment thereof.

4. The register of interests of the Directors and their connected persons in the share capital of the Company kept by the Company under section 325 of the Companies Act 1985 will be available for 15 minutes before the start and until the conclusion of the Meeting. The service contracts of the executive Directors and copies of the letters of appointment for the non-executive Directors will also be available for inspection.

5. Pursuant to Regulation 41 of The Uncertified Securities Regulations 2001, only those members registered in the Register of Members of the Company as at close of business on 15 January 2007 being not more than 48 hours before the time fixed for the Meeting, are entitled to attend or vote at this Meeting in respect of the number of shares registered in their name at close of business on 15 January 2007. Changes to entries in the register after close of business on 15 January 2007 shall be disregarded in determining the right to attend or vote at the Meeting.

6. Biographical details of all those Directors who are offering themselves for re election at the Meeting are set out on page 8 and 9 of the Annual report and accounts.