

## **Lions Gate UK Limited**

*(Previously known as Redbus Film Distribution Limited)*

Directors' Report and  
Financial Statements  
*31 March 2006*



Company number 04046807

Lions Gate UK Limited

*(Previously known as Redbus Film Distribution Limited)*

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**The Board of Directors**

S E Franks  
Z J Kamasa  
SP Beeks  
J H Feltheimer  
W Levin

**Company Secretary**

G Avshalom

**Registered Office**

Ariel House  
Ground Floor  
74A Charlotte Street  
London  
W1T 4QJ

**Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**Bankers**

Coutts & Co.  
440 Strand  
London  
WC2R 0QS

**Registered Number**

04046807

The directors present their report and the financial statements of the Group for the period from 1 August 2005 to 31 March 2006.

#### **Principal activities and business review**

On 16<sup>th</sup> February 2006, the Company changed its name from Redbus Film Distribution Limited to Lions Gate UK Limited.

The principal activity of the Group during the period was that of UK and international film distribution, production, financing and sales.

Financial performance in each trading period can fluctuate significantly dependent upon the number of theatrical releases in each given reporting period and the stage in the life cycle of each individual film title. Further, financial performance is adversely impacted immediately following a theatrical release by the expensing of all marketing and publicity costs associated with each theatrical release, which are subsequently 'recouped' in later financial years from the revenues generated throughout the life cycle of each individual title, from theatrical rentals received on box office release, through DVD retail and rental, video-on-demand and the exercising of television rights.

The company has continued to grow steadily with a 17% increase in employees. Revenues generated from film activities have increased to £5.4 million, an increase of £1.3 million over the previous seven month period. Theatrical releases were the core driver of growth during the period as a result of the release of *Revolver*, *A Cock And Bull Story* and *Good Night and Good Luck*.

Cost of sales has almost doubled during the period to £6.5 million, with high levels of advertising incurred to support theatrical releases, generating a distinct brand for each title, which will be leveraged in subsequent years. As a direct result of the high advertising costs incurred, the group generated a net loss before taxation of £2.3 million.

Demand for DVD rental and retail products has been sustained, supported by the release of *Revolver*, and *It's All Gone Pete Tong* during the period.

Cash balances held at 31 March 2006 amount to £0.5 million. This reflects the cyclical nature of the business and the significant cash requirements in acquiring and distributing new titles. Due to the long life cycle of each title, a significant period may elapse between the release of funds to acquire a title and the subsequent receipt of revenues.

#### **Future opportunities**

The directors will seek to exploit opportunities arising from increased DVD penetration and developments in media technology.

#### **Key risk factors**

The film industry continues to face piracy and counterfeiting. The directors take all necessary steps to protect the value of the intellectual property owned by the company.

The film market remains competitive and each film acquisition is made after diligent assessment by the directors of the scripts, talent and expected available market for that title. Employees maintain close working relationships with producers following the acquisition of the film rights to ensure the highest quality deliverables. Marketing campaigns and release schedules are closely scrutinised to ensure the best possible release to market for each title.

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DIRECTORS' REPORT

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**Results and dividends**

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

Both the current and comparative accounting period are for less than one year. In October 2005, the share capital of the company was sold to Lions Gate Entertainment Corporation and financial statements were prepared for the seven month period to 31 July 2005 for the purposes of the due diligence process. Subsequent to the acquisition by Lions Gate Entertainment Corporation, the company changed its reporting period to coincide with reporting date of the ultimate parent undertaking of 31 March 2006 (an eight month period). Consequently, the comparative amounts shown in the Income Statement, Statement of Recognised Income and Expense, Cash Flow Statement and relates notes are not entirely comparable.

A dividend of £3,000,000 was paid in October 2005 and the directors have not recommended payment of a final dividend (July 2005: £nil).

Since the date of the dividend approval, the company has incurred high levels of advertising expenditure, together with changes in accounting policy as a result of the acquisition of the company by Lions Gate Entertainment Inc resulting in a net liabilities position as at 31 March 2006 of £5.7 million. Whilst the company is now reporting negative distributable reserves, the directors consider that the company had adequate distributable reserves at that time that the dividend was paid, and as such the dividend paid was a legal dividend. The directors consider that the company currently has adequate cash to pay its creditors as they fall due from current resources and financial support is available from the parent undertaking. Consequently, the directors are not seeking repayment of the dividend.

**Directors**

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

S E Franks	
Z J Kamasa	
S P Beeks	appointed on 17 October 2005
J H Feltheimer	appointed on 17 October 2005
W Levin	appointed on 17 October 2005
N R Meyer	appointed on 17 October 2005, resigned 13 November 2006

L J Chrisfield resigned as a director on 17<sup>th</sup> October 2005.

There are no directors' interests requiring disclosure under the Companies Act 1985.

Mr S E Franks and Mr Z J Kamasa are shareholders in Redbus Group Limited. Redbus Group Limited previously owned the entire share capital of the Lions Gate UK Limited prior to its acquisition by Lions Gate Entertainment Inc on 17 October 2005 for cash consideration of £9.1 million, plus the settlement of assumed debt of £14.3 million payable to Redbus Group Limited by Lions Gate UK Limited.

**DIRECTORS' REPORT**

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**Directors' statement as to disclosure of information to auditors**

The directors who were members of the board at the time of the approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

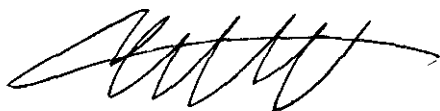
- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which Company's auditors are unaware; and
- Each director has taken all the steps that a director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

Rees Pollock resigned as auditors on 17<sup>th</sup> October 2005.

Ernst and Young LLP were appointed auditors on 17<sup>th</sup> October 2005.

BY ORDER OF THE BOARD



G Avshalom  
Company Secretary

74a Charlotte Street  
Ariel House  
LONDON  
W1T 4QJ

31

January 2007

**Statement of the Directors' responsibilities in relation to the financial statements**

The directors are responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view in accordance with those International Accounting Standards (IFRS's) adopted for use in the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the Financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS  
OF LIONS GATE UK LIMITED (PREVIOUSLY KNOWN AS REDBUS FILM DISTRIBUTION  
LIMITED**

We have audited the group and parent company financial statements (the 'financial statements') of Lions Gate UK Limited for the period ended 31 March 2006, which comprise the Group Income Statement, the Group and Parent Company Balance Sheet, the Group and Parent Company Cash Flow Statements, the Group and Parent Statements of Recognised Income and Expense and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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. We also report to you whether the information given in the directors' report is consistent with the financial statements.

In addition, we 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 transactions with the Company are not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

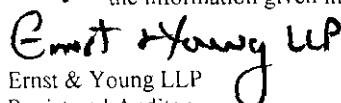
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

**Opinion**

In our opinion:

- the Group's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2006 and of its loss for the period then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union (as applied by the provisions of the Companies Act 1985) of the state of the Company's affairs as at 31 March 2006 and of its loss for the period then ended;
- the financial statements 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.



Ernst & Young LLP  
Registered Auditor  
London

31 January 2007

Lions Gate UK Limited  
GROUP INCOME STATEMENT  
FOR THE PERIOD ENDED 31 MARCH 2006

		8 months to 31 March 2006 £	Restated 7 months to 31 July 2005 £
	Notes		
<b>Revenue</b>			
Film revenue	2	5,423,305	4,098,770
Management services		2,400	-
Sales – miscellaneous		82,596	96,656
		<u>5,508,301</u>	<u>4,195,426</u>
Cost of sales		<u>(6,563,494)</u>	<u>(3,322,737)</u>
<b>Gross (loss)/ profit</b>		<b>(1,055,193)</b>	<b>872,689</b>
Administrative expenses	3,4	<u>1,263,753</u>	<u>632,418</u>
<b>(Loss)/ profit before taxation and finance costs</b>		<b>(2,318,946)</b>	<b>240,271</b>
Finance expense	5	(58,872)	(287)
Finance income	5	<u>34,660</u>	<u>111,743</u>
<b>(Loss)/ profit before taxation</b>		<b>(2,343,158)</b>	<b>351,727</b>
Tax charge	6	<u>-</u>	<u>(523,351)</u>
<b>Net loss after taxation</b>		<b>(2,343,158)</b>	<b>(171,624)</b>
<b>Retained loss brought forward</b>		<b>(495,918)</b>	<b>(324,294)</b>
<b>Retained loss carried forward</b>		<b>(2,839,076)</b>	<b>(495,918)</b>


All the activities of the Group are continuing.



**GROUP AND COMPANY BALANCE SHEETS**  
**AS AT 31 MARCH 2006**

		Group 31 March 2006 £	Restated Group 31 July 2005 £	Company 31 March 2006 £	Restated Company 31 July 2005 £
	Notes				
<b>ASSETS</b>					
<b>Non current assets</b>					
Plant, fixtures and fittings and equipment	9	102,780	119,943	78,641	92,026
Goodwill	10	5,244,926	5,244,926	5,244,926	5,244,926
Investments	11	-	36,051	2	36,053
		<u>5,347,706</u>	<u>5,400,920</u>	<u>5,323,569</u>	<u>5,373,005</u>
<b>Current assets</b>					
Film costs	13	4,140,585	4,323,273	3,928,528	4,323,273
Receivables	12	3,378,317	1,648,587	4,150,527	1,725,377
Cash at bank and in hand		465,636	3,371,538	-	1,990,035
Deferred tax asset	6	-	84,686	-	6,626
		<u>7,984,538</u>	<u>9,428,084</u>	<u>8,079,055</u>	<u>8,045,311</u>
<b>TOTAL ASSETS</b>		<b><u>13,332,244</u></b>	<b><u>14,829,004</u></b>	<b><u>13,402,624</u></b>	<b><u>13,418,316</u></b>
<b>EQUITY AND LIABILITIES</b>					
<b>Attributable to equity shareholders of the parent</b>					
Share capital		2	2	2	2
Retained earnings		(5,839,076)	(495,918)	(5,678,641)	(1,519,832)
<b>TOTAL EQUITY</b>		<b><u>(5,839,074)</u></b>	<b><u>(495,916)</u></b>	<b><u>(5,678,639)</u></b>	<b><u>(1,519,830)</u></b>
<b>Current liabilities</b>					
Trade and other payables	17	18,176,016	13,820,097	17,678,355	13,433,321
Financial liabilities	15	-	-	407,604	-
Deferred income		995,302	1,504,823	995,304	1,504,825
		<u>19,171,318</u>	<u>15,324,920</u>	<u>19,081,263</u>	<u>14,938,146</u>
<b>TOTAL LIABILITIES</b>		<b><u>19,171,318</u></b>	<b><u>15,324,920</u></b>	<b><u>19,081,263</u></b>	<b><u>14,938,146</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>13,332,244</u></b>	<b><u>14,829,004</u></b>	<b><u>13,402,624</u></b>	<b><u>13,418,316</u></b>

These financial statements were approved by the board of directors on 7 January 2007 and were signed on its behalf by:

  
 Z J Kamasa  
 Director

**GROUP AND COMPANY CASH FLOW STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2006**

	Notes	Group 8 months to 31 March 2006 £	Restated Group 7 months to 31 July 2005 £	Company 8 months to 31 March 2006 £	Restated Company 7 months to 31 July 2005 £
<b>Cash flows from operating activities</b>					
(Loss)/profit before tax		(2,343,158)	351,727	(1,158,810)	(465,756)
Adjustments for:					
Intangible amortisation		1,432,480	2,079,183	1,432,481	2,079,183
Depreciation		26,183	26,573	22,405	23,490
Interest		24,212	(111,467)	47,768	(102,619)
Loss on disposal of fixed assets		5,019	-	5,019	-
Dividends received		-	-	(1,200,000)	-
<b>Operating (loss)/ profit before changes in working capital and provisions</b>		(855,264)	2,346,016	(851,137)	1,534,298
(Increase)/decrease in trade and other receivables		(1,930,524)	3,144,535	(1,522,556)	2,600,174
Increase in stock		(212,057)	-	-	-
(Increase)/decrease in prepayments		(17,020)	1,633,000	(16,687)	1,633,000
Increase/(decrease) in trade and other payables		4,615,773	(4,387,227)	3,323,107	(4,122,084)
<b>Cash generated from operations</b>		1,600,908	2,736,324	932,727	1,645,388
Income tax received/(paid)		5	(17,720)	5	(17,721)
<b>Net cash flows from operating activities</b>		1,600,913	2,718,604	932,732	1,627,667
<b>Cash flows from investing activities</b>					
Purchase of plant, fixtures and fittings and equipment		(14,038)	(57,355)	(14,038)	(41,355)
Purchase of intangible assets		(1,504,616)	(2,437,270)	(1,504,616)	(2,437,270)
Release of cash deposits		-	1,933,925	-	1,933,925
Proceeds from sale of investments		36,051	-	36,051	-
Bank interest received		10,659	87,848	10,659	79,000
Dividends received		-	23,895	1,200,000	23,895
<b>Net cash flows from investing activities</b>		(1,471,944)	(448,957)	(271,944)	(441,805)
<b>Cash flows from financing activities</b>					
Bank interest paid		(34,871)	(276)	(58,427)	(276)
Dividends paid		(3,000,000)	-	(3,000,000)	-
<b>Net cash flows from financing activities</b>		(3,034,871)	(276)	(3,058,427)	(276)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		(2,905,902)	2,269,371	(2,397,639)	1,185,586
Cash and cash equivalents at 1 August 2005		3,371,538	1,102,167	1,990,035	804,449
<b>Cash and cash equivalents at 31 March 2006</b>	<b>14</b>	<b>465,636</b>	<b>3,371,538</b>	<b>(407,604)</b>	<b>1,990,035</b>

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE  
FOR THE PERIOD ENDED 31 MARCH 2006

		Group 8 months to 31 March 2006 £	Restated Group 7 months to 31 July 2005 £
	Notes		
(Loss)/ profit for the period		(2,343,158)	1,739,254
Cumulative effect of change in accounting policy	19	-	(3,642,834)
<b>Total recognised income and expense for the period</b>		<b>(2,343,158)</b>	<b>(1,903,580)</b>

COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE  
FOR THE PERIOD ENDED 31 MARCH 2006

		Company 8 months to 31 March 2006 £	Restated Company 7 months to 31 July 2005 £
	Notes		
(Loss)/ profit for the period		<u>(1,158,809)</u>	<u>912,224</u>
Cumulative effect of change in accounting policy	19	-	(3,444,644)
<b>Total recognised income and expense for the year</b>		<b><u>(1,158,809)</u></b>	<b><u>(2,532,420)</u></b>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2006**

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**1. ACCOUNTING POLICIES**

**Basis of preparation**

The group's and company's financial statements for the period ended 31 March 2006 were authorised for issue by the board of directors on 31 January 2007. Both the parent company and the Group financial statements of Lions Gate UK Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) as applied for use in the European Union and as applied in accordance with the provisions of the Companies Act 1985. In publishing the parent company financial statements here together with the Group financial statements, the company has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form part of these approved financial statements.

The financial statements have been prepared on a historical cost basis except that certain financial instruments are stated at their fair value. The financial statements are presented in sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 31 December 2004 for the purposes of the transition to adopted IFRSs.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

**Fundamental accounting concept**

The financial statements have been prepared on a going concern basis on the assumption that the ultimate parent undertaking will continue to provide adequate financial support to the group in order that it can meet its liabilities as and when they fall due. The directors have no reason to believe that this financial support will not continue in the future, and combined with their assessment of the value of the group's assets, including intellectual property rights, believe it has a strong financial position. As such, the directors consider it appropriate to prepare the financial statements on a going concern basis.

However, should the ultimate parent undertaking fail to provide such support, the going concern basis used in preparing the group's financial statements would be invalid and adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might accrue and to reclassify fixed assets as current assets.

**Changes in accounting policy**

In previous years, revenue from theatrical films exhibited on television was recognised on signature of the contract with broadcaster, prior to the delivery of the materials and the commencement of the licence period. The directors have reviewed this policy and consider that it was not fully in accordance with the requirements of IAS 18 – Revenue Recognition. The accounting policy has been changed to defer the recognition of revenue until the commencement of the broadcast licence period when the film becomes available for exhibition by the broadcaster. This revised policy is in line with the requirements of IAS 18 – Revenue Recognition and the policy adopted by the Company's parent company, Lionsgate Entertainment Inc. The impact of the change in accounting policy is shown in note 19.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2006**

**Accounting policies (continued)**

**Basis of consolidation**

The Group financial statements consolidate those of Lions Gate UK Limited and its subsidiary company (together referred to as the 'Group').

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances and transactions, including unrealised profits arising from them are eliminated.

**Foreign currency translation**

The functional and presentation currency of Lions Gate UK Limited is sterling (£). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Foreign exchange differences arising on translation are taken to the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

**Current/ non-current distinction**

Current assets include assets held primarily for trading purposes, cash and cash equivalents and assets expected to be realised in the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes and liabilities expected to be settled in the course of the Group's operating cycle. All other assets are classified as non-current liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2006**

**Accounting policies (continued)**

**Plant, fixtures and fittings and equipment**

Plant, fixtures and fittings and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided to write off the cost of the asset less estimated residual value on a straight-line basis over the estimated useful life of the asset as follows:

Plant & machinery	-	7 years
Fixtures & fittings	-	7 years
Equipment	-	3 years
Motor vehicles	-	5 years

The carrying values of plant, fixtures and fittings, equipment and motor vehicles are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant, fixtures and fittings and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

**Leases – Group as a lessee**

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases. Payments made under operating leases are charged in the income statement on a straight-line basis over the term of the lease.

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

**Goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill recognised as an asset at 31 December 2004 is recorded at its carrying value under UK GAAP and is not amortised. After initial recognition, goodwill is stated at cost less accumulated impairment losses with the carrying value being reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2006**

**Accounting policies (continued)**

**The Company's investments**

In its separate financial statements, the company recognises its investments in subsidiary undertakings at cost, being the fair value of the consideration given and including acquisition costs associated with the investment.

Investments in listed companies held in an investment portfolio are treated as financial assets in accordance with IAS 39 "Financial Instruments: Recognition and measurement". Assets are initially measured at cost, which is deemed to be equal to fair value. All such assets are designated as 'at fair value through profit and loss' on acquisition. Any gains or losses arising from the change in fair value are taken to the income statement and are included in the profit or loss for the period in which the gain or loss arises.

**Film costs**

*Minimum guarantees*

Minimum guarantee (advance royalty) payments made to third parties and other costs of acquiring the rights to distribute films are stated in the balance sheet at the lower of unamortised cost or estimated realisable value using the individual film forecast method

Under the individual film forecast method, the cost of each film is allocated to the theatrical and various other markets in which the film is to be exhibited based on the proportion that the revenues expected to be earned from each market bear to management's estimate of the total revenues to be earned.

In each accounting period, the film cost is amortised based on the proportion that revenues earned in the accounting period bear to management's estimate of the total revenue to be earned. Such estimates are revised periodically and losses, if any, are provided in full.

*Print and advertising costs*

Publicity, promotion and advertising costs associated with theatrical releases are expensed as incurred. Print costs are capitalised until the date of theatrical release, at which point these are expensed in full. In previous years, the print and advertising costs were expensed over a longer period, to no later than three months following the date of theatrical release. The directors have reviewed these accounting estimates and now consider the immediate write off at the date of theatrical release to be a more appropriate treatment.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2006**

**Accounting policies (continued)**

**Impairment of assets**

The carrying amounts of the Group's assets other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

**Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Bad debts are written off when identified.

**Stocks**

Stocks are stated at the lower of manufacturing cost and net realisable value.

**Provisions**

Provisions are recognised when the group and company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a rate which reflects the current time value of money.

**Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, bank overdrafts are deemed to be financing activities.

**Pensions and other post-employment benefits**

The company makes contributions into the money purchase pension schemes held by certain members of staff. The assets of the scheme are held separately from those of the company. The contributions are recognised in the income statement as incurred.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2006**

**Accounting policies (continued)**

**Revenue recognition**

Revenue is stated exclusive of VAT and consists of sales of goods and services. Revenue is recognised from the sale of goods when the group has transferred the risk and rewards of ownership and control of the goods, and the amount of revenue can be measured reliably.

The following specific recognition criteria must also be met before revenue is recognised:

*Theatrical sales*

Revenue from theatrical sales is recognised when the films are exhibited.

*DVD and video sales*

Home DVD and video revenue, less a provision for returns, is recognised on the sale or rental of the home DVDs and videos.

*Television sales*

Revenue from theatrical films exhibited on television is recognised once contractual terms have been agreed, the materials have been delivered and the licence period for television exhibition has commenced.

**Financing costs**

Net financing costs comprise interest payable, finance charges on finance leases, interest receivable on funds invested, dividend income and foreign exchange gains and losses that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

**Share based payments**

All employees are eligible to participate in the Lions Gate Entertainment Corporation Performance Incentive Plan and, subject to the conditions of the scheme, will receive shares in Lions Gate Entertainment Corporation on each of the first, second and third anniversaries of the commencement of their employment. Any employees resigning before each anniversary date will forfeit their entitlement. The costs of operating this scheme, included associated tax costs, are charged to the profit and loss on a straight line basis across the first three years of employment

## NOTES TO THE FINANCIAL STATEMENTS

### AT 31 MARCH 2006

#### Accounting policies (continued)

#### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are measured on an undiscounted basis.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

## 2. REVENUE

	8 months to 31 March 2006 £	Restated 7 months to 31 July 2005 £
Theatrical sales	1,354,934	565,822
Theatrical ancillary	11,420	-
Video and DVD sales	2,039,399	2,396,971
Television sales	2,017,552	1,135,977
	<u>5,423,305</u>	<u>4,098,770</u>

# NOTES TO THE FINANCIAL STATEMENTS

## AT 31 MARCH 2006

### 3. OTHER OPERATING EXPENSES

	8 months to 31 March 2006 £	7 months to 31 July 2005 £
Audit services	43,600	17,750
Depreciation of owned fixed assets	26,183	26,573
Operating lease rentals	76,132	78,510
Loss on disposal of fixed assets	5,019	-
Exchange gains	(107,949)	(9,042)

The audit fee for the company for the period to 31 March 2006 was £25,000.

Inventory held at the end of the period amounts to £212,057 (July 2005: nil). No amounts of inventory were written down in the period.

### 4. STAFF COSTS

The average number of persons employed by the group (including directors) during the period was as follows:

	8 months to 31 March 2006 No.	7 months to 31 July 2005 No.
Film business	28	24

	31 March 2006 £	31 July 2005 £
Salaries	555,287	317,458
Social security costs	271,488	49,063
Other pension costs	-	22,942
	826,775	389,463

Directors' remuneration:		
Aggregate emoluments	83,333	140,834
Company pension contributions to money purchase schemes	-	22,942

Retirement benefits are accruing to one (Jul 2005: one) director under money purchase pension schemes.

	31 March 2006 £	31 July 2005 £
Highest paid director:		
Aggregate emoluments	50,000	71,250
	50,000	71,250

**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 MARCH 2006**
**5. FINANCE EXPENSE/INCOME**

	8 months to 31 March 2006 £	7 months to 31 July 2005 £
<b>FINANCE EXPENSE</b>		
Interest payable on bank overdraft	58,872	287
<b>FINANCE INCOME</b>		
Bank interest receivable	34,660	111,743

**6. TAXATION**

	8 months to 31 March 2006 £	Restated 7 months to 31 July 2005 £
<b>Recognised in the Income statement</b>		
<i>Current tax</i>		
Corporation tax	-	273,323
Adjustments in respect of corporation tax of previous years	(84,686)	(3,184)
	-	270,139
<i>Deferred tax</i>		
Origination and reversal of temporary differences	-	337,898
Adjustments in respect of deferred tax of previous years	84,686	(84,686)
Taxation expense reported in the income statement	-	523,351

**Reconciliation of effective tax rate**

A reconciliation of taxation expense applicable to accounting profit before taxation at the statutory tax rate to taxation expense at the group's effective (loss) tax rate for the period ended 31 March 2006 is as follows:

	8 months to 31 March 2006 £	Restated 7 months to 31 July 2005 £
Accounting (loss)/ profit before taxation	(2,343,158)	351,727
At UK standard rate of corporation tax of 30%	(702,947)	105,518
Expenditure disallowed for tax	4,991	2,562
Unrecognised deferred tax asset	697,956	509,135
Group relief claimed	-	(86,846)
Adjustments in respect of corporation tax of previous years	-	(3,184)
Tax at rate other than standard	-	(3,834)
Total tax expense reported in the income statement	-	523,351

**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2006**
**6. TAXATION (continued)**

Group deferred tax asset at 31 March 2006 comprises:

	<b>Balance sheet £</b>	<b>Income statement £</b>
Losses available for offset against future income	-	84,686
	-	84,686

Group deferred tax asset at 31 July 2005 comprises:

	<b>Balance sheet £</b>	<b>Income statement £</b>
Origination and reversal of temporary differences	-	337,898
Losses available for offset against future income	84,686	(84,686)
	84,686	253,212

A deferred tax asset of £24,369 (2005: £24,369) has not been recognised relating to capital losses. This loss is available for carry forward against future capital gains.

The Group has unrecognised tax losses amounting to approximately £5.8 million (July 2005 £nil) which are available indefinitely for carry forward and offset against future taxable profits of the profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and there is uncertainty over the ability of the Group to utilise losses in the future.

**7. DIVIDENDS PAID**

	<b>8 months to 31 March 2006 £</b>	<b>7 months to 31 July 2005 £</b>
<i>Declared and paid during the year:</i>		
Equity dividend on ordinary shares:		
Final dividend for 2005: £1,500,000 (2004: nil)	3,000,000	-
	3,000,000	-

# NOTES TO THE FINANCIAL STATEMENTS

## AT 31 MARCH 2006

### 8. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the financial statements of the parent company is £1,158,809 (7 month period to 31 July 2005- £800,465).

### 9. PLANT, FIXTURES & FITTINGS AND EQUIPMENT

Group	Motor vehicles £	Plant & Machinery £	Fixtures & Fittings £	Equipment £	Total £
<b>Cost:</b>					
At 1 August 2005	15,000	57,203	49,328	258,891	380,422
Transfers between asset categories	-	(14,184)	14,184	-	-
Additions	-	175	579	13,380	14,134
Disposals	-	(4,566)	(1,301)	(2,372)	(8,239)
At 31 March 2006	15,000	38,628	62,790	269,899	386,317
<b>Depreciation:</b>					
At 1 August 2005	1,750	20,993	18,351	219,385	260,479
Transfers between asset categories	-	(1,232)	1,232	-	-
Provided in the period	2,000	3,792	6,086	14,305	26,183
Disposals	-	(970)	(586)	(1,569)	(3,125)
At 31 March 2006	3,750	22,583	25,083	232,121	283,537
<b>Net carrying amount:</b>					
At 31 March 2006	11,250	16,045	37,707	37,778	102,780

Group	Motor vehicles £	Plant & Machinery £	Fixtures & Fittings £	Equipment £	Total £
<b>Cost:</b>					
At 1 January 2005	15,000	44,074	35,888	228,105	323,067
Additions	-	13,129	13,440	30,786	57,355
At 31 July 2005	15,000	57,203	49,328	258,891	380,422
<b>Depreciation:</b>					
At 1 January 2005	-	16,152	14,351	203,403	233,906
Provided in the period	1,750	4,841	4,000	15,982	26,573
At 31 July 2005	1,750	20,993	18,351	219,385	260,479
<b>Net carrying amount:</b>					
At 31 July 2005	13,250	36,210	30,977	39,506	119,943

**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2006**
**9. PLANT, FIXTURES & FITTINGS AND EQUIPMENT (continued)**

Company	Plant & machinery £	Fixtures & fittings £	Equipment £	Total £
At 1 August 2005	57,203	38,328	253,891	349,922
Transfers between asset categories	(14,184)	14,184	-	-
Additions	175	579	13,380	14,134
Disposals	(4,566)	(1,301)	(2,372)	(8,239)
At 31 March 2006	38,628	51,790	264,899	355,317
<b>Depreciation:</b>				
At 1 August 2005	20,993	17,435	218,968	257,396
Transfers between asset categories	(1,232)	1,232	-	-
Provided in the period	3,792	4,863	13,750	22,405
Disposals	(970)	(586)	(1,569)	(3,125)
At 31 March 2006	22,583	22,944	231,149	276,676
<b>Net carrying amount:</b>				
At 31 March 2006	16,045	28,846	33,750	78,641

Company	Plant & machinery £	Fixtures & fittings £	Equipment £	Total £
<b>Cost:</b>				
At 1 January 2005	44,074	35,888	228,105	308,067
Additions	13,129	2,440	25,786	41,355
At 31 July 2005	57,203	38,328	253,891	349,422
<b>Depreciation:</b>				
At 1 January 2005	16,152	14,351	203,403	233,906
Provided in the period	4,841	3,084	15,565	23,490
At 31 July 2005	20,993	17,435	218,968	257,396
<b>Net carrying amount:</b>				
At 31 July 2005	36,210	20,893	34,923	92,026



**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2006**
**10. INTANGIBLE ASSETS**

<b>Group and company</b>	<b>Goodwill £</b>
<b>Cost and net book value</b>	
At 1 January 2005, 1 August 2005 and 31 March 2006	<u>5,244,926</u>

Goodwill arose on the group restructuring and hive down of trade and assets from its then parent company which took place on 21 December 2000. The goodwill represents the excess of the consideration paid over the fair value of the assets and liabilities acquired.

**11. INVESTMENTS**

The group and Lions Gate UK Limited have the following investments in subsidiaries and listed investments:

	<b>Subsidiary Undertaking £</b>	<b>Listed Companies £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 August 2005 and 31 March 2006	2	124,360	124,362
Disposals	-	(124,360)	(124,360)
At 31 March 2006	<u>2</u>	<u>-</u>	<u>2</u>
<b>Amounts written off</b>			
At 1 August 2005	2	88,309	88,311
Disposals	-	(88,809)	(88,809)
At 31 March 2006	<u>2</u>	<u>-</u>	<u>2</u>
<b>Net carrying amount</b>			
At 31 March 2006	<u>2</u>	<u>-</u>	<u>2</u>
At 31 August 2005	<u>2</u>	<u>36,051</u>	<u>36,053</u>

**Subsidiary company**

<b>Name of subsidiary</b>	<b>Activity</b>	<b>Country of incorporation</b>	<b>% owned</b>
Lions Gate Home Entertainment Ltd	Sub-distribution	Great Britain	100

The above subsidiary undertaking has share capital consisting solely of ordinary shares.

**Listed companies**

Investments in listed companies are designated as 'fair value through profit and loss' financial instruments.

**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2006**
**12. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>	<b>Restated</b>	<b>Company</b>	<b>Restated</b>
	<b>31 March</b>	<b>31 July</b>	<b>31 March</b>	<b>31 July</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade receivables	1,451,181	616,970	803,595	367,353
Other receivables	-	297,306	-	297,306
Prepayments	84,450	67,430	84,117	67,430
Accrued income	1,104,510	220,412	1,094,510	220,412
Amounts receivable from group undertakings	539,958	446,469	1,970,087	772,876
Amounts receivable other related parties	198,218	-	198,218	-
	<b>3,378,317</b>	<b>1,648,587</b>	<b>4,150,527</b>	<b>1,725,377</b>

**13. FILM COSTS**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>31 March</b>	<b>31 July</b>	<b>31 March</b>	<b>31 July</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Minimum guarantees	3,759,628	3,255,864	3,759,628	3,255,864
Print and advertising	168,900	927,937	168,900	927,937
Development costs	-	139,472	-	139,472
Stock	212,057	-	-	-
	<b>4,140,585</b>	<b>4,323,273</b>	<b>3,928,528</b>	<b>4,323,273</b>

**14. CASH**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>31 March</b>	<b>31 July</b>	<b>31 March</b>	<b>31 July</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	465,636	3,371,538	-	1,990,034
	<b>465,636</b>	<b>3,371,538</b>	<b>-</b>	<b>1,990,034</b>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of depending on the immediate cash requirements of the group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents does not differ from the carrying value.

# NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2006

## 15. FINANCIAL LIABILITIES

	Group 31 March 2006 £	Group 31 July 2005 £	Company 31 March 2006 £	Company 31 July 2005 £
Bank overdraft	-	-	407,604	-
	-	-	407,604	-

Bank borrowings are unsecured.

## 16. SHARE CAPITAL

	31 March 2006 £	31 July 2005 £
<i>Authorised</i>		
1,000 ordinary shares at £1 each	1,000	1,000
<b>Ordinary shares</b>	<b>31 March 2006 £</b>	<b>31 July 2005 £</b>
<i>Allotted, called up and fully paid</i>		
At 1 August 2005 and 31 March 2006	2	2

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the company.

## 17. TRADE AND OTHER PAYABLES

	Group 31 March 2006 £	Group 31 July 2005 £	Company 31 March 2006 £	Company 31 July 2005 £
Trade payables	1,034,032	468,409	839,398	448,292
Other trade payables and accruals	993,093	1,548,950	989,698	1,548,950
Corporation tax payable	188,642	266,702	-	6,626
Other tax creditors and social security	168,383	111,698	57,393	5,115
Amounts payable to parent undertaking	12,222,055	11,424,338	12,222,055	11,424,338
Amounts payable to other related parties	3,569,811	-	3,569,811	-
	18,176,016	13,820,097	17,678,355	13,433,321

# NOTES TO THE FINANCIAL STATEMENTS AT 31 MARCH 2006

## 18. COMMITMENTS AND CONTINGENCIES

### Operating lease commitments

Commitments under operating leases relate primarily to the rental of office space. Minimum lease rentals payable under non-cancellable operating leases as at 31 March 2006 are as follows:

	Group 31 March 2006 £	Group 31 July 2005 £	Company 31 March 2006 £	Company 31 July 2005 £
Land and buildings				
Within one year	75,000	75,000	75,000	75,000
After one year but not more than five years	68,750	118,750	68,750	118,750
More than five years				
	<u>143,750</u>	<u>193,750</u>	<u>143,750</u>	<u>193,750</u>

### Capital commitments

Group and company – During the period ended 31 March 2006, the group entered into contracts to acquire film rights amounting to £63,257 which are expected to be settled in the following year (7 months to July 2005: £3,211,402).

## 19. RECONCILIATION OF MOVEMENTS IN EQUITY

Reconciliation of movement in capital and reserves - Group

	Share capital £	Restated Retained earnings £	Total equity £
Balance at 31 July 2005	2	(495,918)	(495,916)
Total recognised income and expense	-	(2,343,158)	(2,343,158)
Dividends	-	(3,000,000)	(3,000,000)
	<u>2</u>	<u>(5,839,076)</u>	<u>(5,839,074)</u>
Balance at 31 March 2006			

**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2006**
**19. RECONCILIATION OF MOVEMENTS IN EQUITY (continued)**

Reconciliation of movement in capital and reserves - Group

	Share capital £	Restated Retained earnings £	Total equity £
Balance at 31 December 2004 as previously reported	2	1,407,660	1,407,664
Change in accounting policy re revenue recognition	-	(1,731,955)	(1,731,955)
Balance at 31 December 2004 as restated	2	(324,293)	(324,291)
Total recognised income and expense	-	1,739,254	1,739,254
Change in accounting policy	-	(1,910,879)	(1,910,879)
Balance at 31 July 2005	2	(495,918)	(495,916)

Reconciliation of movement in capital and reserves – Lions Gate UK Limited

	Share capital £	Restated Retained earnings £	Total equity £
Balance at 31 July 2005	2	(1,519,832)	(1,519,830)
Total recognised income and expense	-	(1,158,809)	(1,158,809)
Dividends	-	(3,000,000)	(3,000,000)
Balance at 31 March 2006	2	(5,678,641)	(5,678,639)

Reconciliation of movement in capital and reserves – Lions Gate UK Limited

	Share capital £	Restated Retained earnings £	Total equity £
Balance at 31 December 2004 as previously reported	2	1,012,588	1,012,590
Change in accounting policy re revenue recognition	-	(1,731,955)	(1,731,955)
Balance at 31 December 2004 as restated	2	(719,367)	(719,364)
Total recognised income and expense	-	912,224	912,224
Change in accounting policy	-	(1,712,689)	(1,712,689)
Balance at 31 July 2005	2	(1,519,832)	(1,519,830)

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**NOTES TO THE FINANCIAL STATEMENTS  
AT 31 MARCH 2006**

**20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The group is exposed to credit, interest rate and currency risk in the normal course of its business.

**(i) Credit risk**

The exposure to credit risk is continually monitored by management. At the balance sheet date there were no significant concentrations of credit risk.

**(ii) Interest rate risk**

Effective interest rates on income earning financial assets and liabilities are all linked to bank base rates.

**(iii) Foreign currency risk**

The group incurs foreign currency risk on sales and purchases that are denominated in currencies other than sterling.

**(iv) Fair values**

The directors consider that there are no material differences between the fair values and carrying values of the company's financial instruments.

**21. RELATED PARTY TRANSACTIONS**

The company entered into the following transactions and had balances outstanding with group companies as follows:

**Group and Company**

	<b>31 March 2006</b>	<b>31 July 2005</b>
	<b>£</b>	<b>£</b>
Amounts due to immediate parent undertaking	<u>12,222,055</u>	<u>11,424,338</u>

The company has received advances from its parent company for the purposes of funding working capital. These advances do not have fixed terms of repayment. Interest is payable on outstanding balances at an interest rate of 7% per annum.

Mr S E Franks and Mr Z J Kamasa are shareholders in Redbus Group Limited. Redbus Group Limited previously owned the entire share capital of Lions Gate UK Limited prior to its acquisition by Lions Gate Entertainment Inc on 17 October 2005 for cash consideration of £9.1 million, plus the settlement of assumed debt of £14.3 million payable to Redbus Group Limited by Lions Gate UK Limited.

£3,569,811 of debt payable to Redbus Group Limited was outstanding at 31 March 2006 (31 July 2005: £11,424,338).

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**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 MARCH 2006**


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**21. RELATED PARTY TRANSACTIONS (continued)****Subsidiary undertaking**

	<b>31 March 2006</b>	<b>31 July 2005</b>
	<b>£</b>	<b>£</b>
Royalties paid in respect of film rights exploited	1,289,033	-
Recharge of administrative expenditure and salaries	<u>162,042</u>	<u>278,416</u>
Net charges to subsidiary undertaking	<u>1,451,075</u>	<u>278,416</u>
Amount due from subsidiary undertaking	<u>1,430,127</u>	<u>326,407</u>

**Other group companies**

	<b>31 March 2006</b>	<b>31 July 2005</b>
	<b>£</b>	<b>£</b>
Recharge of administrative expenditure	<u>84,707</u>	<u>564,900</u>
Amount due from other group undertakings	<u>539,958</u>	<u>446,469</u>

The company incurred expenses totalling £26,799 payable to Redbus Group Limited, a company owned by directors Mr S E Franks and Mr Z J Kamasa in respect of office space leased and staff time incurred (period to 31 July 2005: nil). The company received £10,675 from Redbus Group Limited in respect of services provided by Lions Gate UK Limited employees to Redbus Group companies (period to 31 July 2005: nil)

£65,021 was paid during the period to 31 March (period to 31 July 2005: £59,220) by the company to Redbus Outdoor Limited, a company 75% owned by Redbus Group Limited, for advertising services.

**22. ULTIMATE PARENT UNDERTAKING**

The company is a subsidiary undertaking of Lions Gate Entertainment Inc, and its ultimate parent undertaking is Lions Gate Entertainment Corporation, both incorporated in the USA.

The largest and smallest group in which the results of the company are consolidated is that headed by Lions Gate Entertainment Corporation incorporated in the USA. The consolidated financial statements are available to the public and may be obtained from Lions Gate, 2700 Colorado Avenue, Santa Monica, California, , CA 90404, USA.