

**OPUS ARTE UK LIMITED**  
**REPORT OF THE DIRECTORS AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

Bessler Hendrie  
Chartered Accountants  
Registered Auditor  
Albury Mill  
Mill Lane  
Chilworth  
Guildford  
Surrey  
GU4 8RT



**OPUS ARTE UK LIMITED**

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**for the year ended 31 December 2005**

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**OPUS ARTE UK LIMITED**

**COMPANY INFORMATION**

**for the year ended 31 December 2005**

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**DIRECTORS:**

J J R Petri  
Mrs P J Petri-Clark

**SECRETARY:**

R Kaye

**REGISTERED OFFICE:**

Silveroaks Farm  
Waldron  
Heathfield  
East Sussex  
TN21 0RS

**REGISTERED NUMBER:**

4112266 (England and Wales)

**AUDITORS:**

Bessler Hendrie  
Chartered Accountants  
Registered Auditor  
Albury Mill  
Mill Lane  
Chilworth  
Guildford  
Surrey  
GU4 8RT

## **OPUS ARTE UK LIMITED**

### **REPORT OF THE DIRECTORS for the year ended 31 December 2005**

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The directors present their report with the financial statements of the company for the year ended 31 December 2005.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of multimedia production.

#### **REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

During 2005 Opus Arte released 31 new titles, growing the catalogue to a total of 86 DVDs which showed an increase in unit sales of 32% over 2004, representing an increase in revenue of 17%. In 2006 Opus Arte will release 31 titles plus an additional 21 titles on the new mid-price label Faveo, which will strengthen the catalogue to 139 DVDs.

Opus Arte has a leading position in the market and is regarded as 'the high-end DVD label', winning several awards including 2 Midem Classical Awards, the prestigious Gramophone award and the Diapason d'or de l'annee.

In 2005 an alternative distribution source on the "La Scala" series generated significant income during the year. In 2006, a new distribution partner, Mediasat, will also distribute the Dickens DVD. Mediasat is a very strong distributor in bookshops and kiosks worldwide

In 2006 and 2007 it is expected that alternative distribution will grow significantly.

During 2006, the first HD (High Definition) DVDs will be released in the US and Japan. As soon as technology is available in the rest of the world, other territories will follow (Europe - end 2006). It is expected that in two years, HD will be a common format in the regular market. Opus Arte has recorded 36 operas and ballets in HD and is therefore well in advance of its competitors. Other DVD labels do not produce their own programmes so can only license what broadcasters offer, therefore will have very little available in HD format.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2005.

## **OPUS ARTE UK LIMITED**

### **REPORT OF THE DIRECTORS for the year ended 31 December 2005**

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#### **DIRECTORS**

JJR Petri Esq and Mrs PJ Petri-Clark held office as directors during the financial year.

They did not hold any beneficial interest in the issued share capital of the company at 1 January 2005 or 31 December 2005.

Opus Arte UK Limited is a wholly owned subsidiary of Opus Arte BV, a company registered in The Netherlands. The beneficial interests of the directors holding office on 31 December 2005 in the issued share capital of the parent company were as follows:

Ordinary voting €45.38 shares

	31.12.05	1.1.05
JJR Petri	327	126
Mrs PJ Petri-Clark	0	0

The total number of shares issued in Opus Arte BV as at 31 December 2005 was 793 shares (2004: 793 shares).

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing 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 year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**OPUS ARTE UK LIMITED**

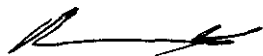
**REPORT OF THE DIRECTORS**  
**for the year ended 31 December 2005**

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**AUDITORS**

The auditors, Bessler Hendrie, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**



.....  
R Kaye - Secretary

Date: ..... 25/05/06 .....

## **REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF OPUS ARTE UK LIMITED**

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We have audited the financial statements of Opus Arte UK Limited for the year ended 31 December 2005 on pages seven to nineteen. 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**

As described on page three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors 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 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
OPUS ARTE UK LIMITED**

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**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 company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



Bessler Hendrie  
Chartered Accountants  
Registered Auditor  
Albury Mill  
Mill Lane  
Chilworth  
Guildford  
Surrey  
GU4 8RT

Date: 31 May 2006



**OPUS ARTE UK LIMITED****PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2005**

	Notes	2005 £	2004 £
<b>TURNOVER</b>		2,844,792	2,398,061
Cost of sales		<u>(1,845,376)</u>	<u>(1,626,931)</u>
<b>GROSS PROFIT</b>		999,416	771,130
Administrative expenses		<u>(735,248)</u>	<u>(649,553)</u>
<b>OPERATING PROFIT</b>	3	264,168	121,577
Interest receivable and similar income		<u>50</u>	<u>232</u>
		264,218	121,809
Interest payable and similar charges	4	<u>(45,302)</u>	<u>(72,766)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		218,916	49,043
Tax on profit on ordinary activities	5	<u>(44,142)</u>	<u>(10,673)</u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		<u>174,774</u>	<u>38,370</u>
<b>RETAINED PROFIT FOR THE YEAR</b>		<u>174,774</u>	<u>38,370</u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous year.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the profits for the current year or previous year.

**OPUS ARTE UK LIMITED****BALANCE SHEET****31 December 2005**

	Notes	2005 £	2004 £
<b>FIXED ASSETS</b>			
Tangible assets	6	44,982	11,705
Investments	7	2,054,519	2,150,372
		<u>2,099,501</u>	<u>2,162,077</u>
 <b>CURRENT ASSETS</b>			
Stocks	8	994,936	714,987
Debtors	9	1,241,415	977,318
Cash at bank and in hand		1,324	933
		<u>2,237,675</u>	<u>1,693,238</u>
<b>CREDITORS</b>			
Amounts falling due within one year	10	(2,196,798)	(1,891,079)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>40,877</u>	<u>(197,841)</u>
 <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,140,378</u>	<u>1,964,236</u>
 <b>CREDITORS</b>			
Amounts falling due after more than one year	11	(1,313,918)	(1,313,918)
 <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15	<u>(1,368)</u>	<u>-</u>
 <b>NET ASSETS</b>		<u><u>825,092</u></u>	<u><u>650,318</u></u>

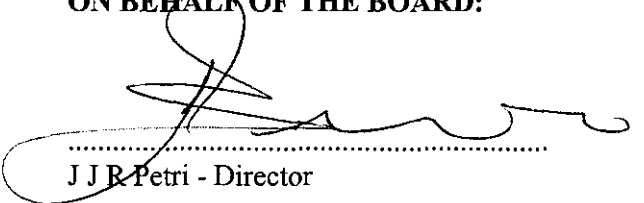
The notes form part of these financial statements

**OPUS ARTE UK LIMITED**

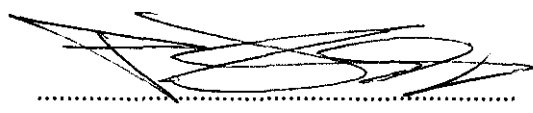
**BALANCE SHEET - continued**  
**31 December 2005**

	Notes	2005 £	2004 £
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	500,000	500,000
Profit and loss account	17	325,092	150,318
<b>SHAREHOLDERS' FUNDS</b>			
	20	825,092	650,318

**ON BEHALF OF THE BOARD:**



.....  
J J R Petri - Director



.....  
Mrs P J Petri-Clark - Director

Approved by the Board on 25-5-06

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2005**

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**1. ACCOUNTING POLICIES**

**Accounting convention**

The financial statements have been prepared under the historical cost convention.

**Financial Reporting Standard Number 1**

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

**Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax.

The turnover and profit before tax is attributable to the principal activity of the company and arose in the United Kingdom.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease over the lease term, whichever is the shorter.

Fixtures & fittings - 15% to 33% on cost

Motor vehicles - 25% on cost

Computer equipment - 33% on cost

**Stocks**

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

**Deferred tax**

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

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

**Foreign currencies**

Assets and liabilities 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 transaction. Exchange differences are taken into account in arriving at the operating result.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2005**

**1. ACCOUNTING POLICIES - continued**

**Hire purchase and leasing commitments**

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

**Pensions**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

**Investment in programming**

Investment in programming is capitalised and amortised over the expected useful life, principally restricted to 10 years. These assets are reviewed for impairment in all periods where events or changes in circumstances indicate that the carrying value may not be recoverable. Any anticipated losses on individual projects are recognised in the accounts immediately.

**Royalties**

Royalty income is included on a receivable basis calculated on sales of DVDs arising during each accounting period as reported by licensees. Where licensees sales reports are not available, advances are carried forward and recognised as income over the expected life of each individual licence.

Royalties payable are expensed on an accruals basis. Royalty advances payable are expensed on a paid basis except that they are carried forward and recognised as an asset where it is estimated that sufficient future royalties will be earned for recoupment of those advances.

**2. STAFF COSTS**

	2005	2004
	£	£
Wages and salaries	336,683	315,919
Social security costs	37,617	37,027
Other pension costs	5,281	7,262
	<u>379,581</u>	<u>360,208</u>

The average monthly number of employees during the year was as follows:

	2005	2004
Directors	2	2
Finance & administration	3	3
Production & sales	6	5
	<u>11</u>	<u>10</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2005**

**3. OPERATING PROFIT**

The operating profit is stated after charging:

	2005	2004
	£	£
Depreciation - owned assets	22,042	9,879
Depreciation - assets on hire purchase contracts	321	13,559
Loss on disposal of fixed assets	-	1,369
Auditors' remuneration	3,500	3,500
Amortisation of investment in programming	506,945	416,875
Operating lease rentals - hire of plant and machinery	462	116
Operating lease rentals - other operating leases	26,157	25,013
	<u>130,278</u>	<u>119,100</u>
Directors' emoluments	130,278	119,100
Directors' pension contributions to money purchase schemes	3,622	3,573
	<u>3,622</u>	<u>3,573</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>2</u>
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**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	2005	2004
	£	£
Bank interest	44,391	69,560
Loan interest paid	-	1,130
Hire purchase	911	2,076
	<u>45,302</u>	<u>72,766</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2005

**5. TAXATION**

**Analysis of the tax charge**

The tax charge on the profit on ordinary activities for the year was as follows:

	2005	2004
	£	£
Current tax:		
UK corporation tax	42,000	14,000
Over provision in prior years	(414)	(1,332)
Total current tax	41,586	12,668
Deferred tax	2,556	(1,995)
Tax on profit on ordinary activities	44,142	10,673

UK corporation tax has been charged at 19% (2004 - 19%).

**Factors affecting the tax charge**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2005	2004
	£	£
Profit on ordinary activities before tax	218,916	49,043
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2004 - 19%)	41,594	9,318
Effects of:		
Disallowed expenses	1,624	2,272
Depreciation in excess of capital allowances	(1,395)	1,995
Over provision in prior years	(414)	(1,332)
Rounding	177	415
Current tax charge	41,586	12,668

NOTES TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2005

6. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>			
At 1 January 2005	42,963	60,336	103,299
Additions	1,068	54,572	55,640
	<u>44,031</u>	<u>114,908</u>	<u>158,939</u>
At 31 December 2005			
<b>DEPRECIATION</b>			
At 1 January 2005	38,303	53,291	91,594
Charge for year	2,161	20,202	22,363
	<u>40,464</u>	<u>73,493</u>	<u>113,957</u>
At 31 December 2005			
<b>NET BOOK VALUE</b>			
At 31 December 2005	3,567	41,415	44,982
	<u>3,567</u>	<u>41,415</u>	<u>44,982</u>
At 31 December 2004	4,660	7,045	11,705
	<u>4,660</u>	<u>7,045</u>	<u>11,705</u>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Fixtures and fittings £	Computer equipment £	Totals £
<b>COST</b>			
At 1 January 2005 and 31 December 2005	26,772	5,535	32,307
	<u>26,772</u>	<u>5,535</u>	<u>32,307</u>
<b>DEPRECIATION</b>			
At 1 January 2005	26,451	5,535	31,986
Charge for year	321	-	321
	<u>26,772</u>	<u>5,535</u>	<u>32,307</u>
At 31 December 2005			
<b>NET BOOK VALUE</b>			
At 31 December 2005	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2004	321	-	321
	<u>321</u>	<u>-</u>	<u>321</u>



NOTES TO THE FINANCIAL STATEMENTS - continued  
for the year ended 31 December 2005

7. FIXED ASSET INVESTMENTS

	Unlisted investments £
<b>COST</b>	
At 1 January 2005	3,506,051
Additions	411,092
	<u>3,917,143</u>
At 31 December 2005	
<b>PROVISIONS</b>	
At 1 January 2005	1,355,679
Provision for year	506,945
	<u>1,862,624</u>
At 31 December 2005	
<b>NET BOOK VALUE</b>	
At 31 December 2005	<u>2,054,519</u>
At 31 December 2004	<u>2,150,372</u>

8. STOCKS

	2005 £	2004 £
Stocks	256,661	254,957
Work-in-progress	738,275	460,030
	<u>994,936</u>	<u>714,987</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Trade debtors	628,161	456,400
Other debtors	2,269	4,395
VAT	2,931	-
Deferred tax asset		
Temporary timing differences	-	1,188
Prepayments and accrued income	608,054	515,335
	<u>1,241,415</u>	<u>977,318</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2005**

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2005	2004
	£	£
Bank loans and overdrafts (see note 12)	414,507	757,310
Hire purchase contracts (see note 13)	-	4,391
Trade creditors	1,009,943	573,867
Tax	42,000	14,000
Social security and other taxes	11,199	26,921
Other creditors	260,985	249,848
Accruals and deferred income	458,164	264,742
	<u>2,196,798</u>	<u>1,891,079</u>

The bank loans and overdrafts are secured by a fixed and floating charge on the assets of the company.

**11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2005	2004
	£	£
Amounts due to group undertaking	<u>1,313,918</u>	<u>1,313,918</u>

**12. LOANS**

An analysis of the maturity of loans is given below:

	2005	2004
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>414,507</u>	<u>757,310</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2005

**13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES**

	Hire purchase contracts	
	2005	2004
	£	£
Gross obligations repayable:		
Within one year	-	5,102
Finance charges repayable:		
Within one year	-	711
Net obligations repayable:		
Within one year	-	4,391

The following operating lease payments are committed to be paid within one year:

	Land and buildings		Other operating leases	
	2005	2004	2005	2004
	£	£	£	£
Expiring:				
Within one year	26,687	25,416	-	-
Between one and five years	-	-	462	462
	<u>26,687</u>	<u>25,416</u>	<u>462</u>	<u>462</u>

**14. SECURED DEBTS**

The following secured debts are included within creditors:

	2005	2004
	£	£
Bank overdrafts	414,507	757,310
Hire purchase contracts	-	4,391
	<u>414,507</u>	<u>761,701</u>

The bank overdrafts are secured by the assignment of keyman insurance on the life of Mr JJR Petri in the sum of £1,000,000 and a letter of Cross Guarantee from the parent company, Opus Arte BV.

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
for the year ended 31 December 2005

**15. PROVISIONS FOR LIABILITIES**

	2005 £	
Deferred tax		
Temporary timing differences	<u>1,368</u>	
		Deferred tax £
Balance at 1 January 2005		(1,188)
Decelerated capital allowances		<u>2,556</u>
Balance at 31 December 2005		<u>1,368</u>

**16. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	2005 £	2004 £
1,000,000	Ordinary	£1	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2005 £	2004 £
500,000	Ordinary	£1	<u>500,000</u>	<u>500,000</u>

**17. RESERVES**

	Profit and loss account £
At 1 January 2005	150,318
Retained profit for the year	<u>174,774</u>
At 31 December 2005	<u>325,092</u>

**18. ULTIMATE PARENT COMPANY**

The directors regard Opus Arte BV, a company incorporated in The Netherlands, as the ultimate parent company and ultimate controlling party.

**OPUS ARTE UK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - continued**  
**for the year ended 31 December 2005**

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**19. RELATED PARTY DISCLOSURES**

The company is a 100% subsidiary of Opus Arte BV.

During the year there were no movements in the loan balance and at the year end Opus Arte UK Limited owed Opus Arte BV £1,313,918 (2004: £1,313,918). This loan is interest free and repayable after five years.

**20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2005	2004
	£	£
Profit for the financial year	174,774	38,370
<b>Net addition to shareholders' funds</b>	174,774	38,370
Opening shareholders' funds	650,318	611,948
<b>Closing shareholders' funds</b>	825,092	650,318
Equity interests	825,092	650,318