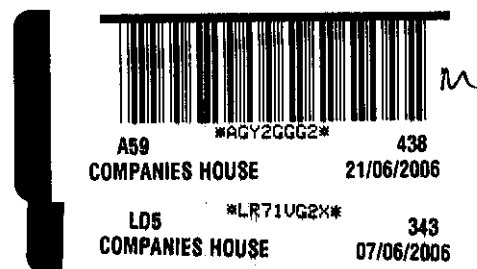


Cloud 9 (Revelations) Limited

REPORT AND FINANCIAL STATEMENTS

year ended 31 March 2005
'unaudited'



Cloud 9 (Revelations) Limited

DIRECTORS AND OFFICERS

DIRECTORS

A Najeeb
RW Thompson

COMPANY SECRETARY

SP Bird

REGISTERED OFFICE

Sanctuary House
45-53 Sinclair Road
London W14 0NS

ACCOUNTANTS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Cloud 9 (Revelations) Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Cloud 9 (Revelations) Limited for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The level of activity within the company has been substantially curtailed and the carrying values of intangible assets have been written off to reflect the reduced expectations of cash flows from the exploitation of those assets.

The trading loss for the period before taxation was £1,133,086 (2004: loss for the 18 month period £1,423,640).

DIRECTORS

The following directors have held office since 1 April 2004:

A Najeeb
RW Thompson
E Thompson (resigned 5 July 2004)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



A Najeeb
Director

6 June 2006

Cloud 9 (Revelations) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

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

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

Cloud 9 (Revelations) Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2005

	<i>Notes</i>	Year ended 31 March 2005 £	18 month period ended 31 March 2004 £
TURNOVER	1	-	340,117
Cost of sales		-	-
Gross profit		-	340,117
Administrative expenses		(1,053,723)	(1,013,357)
Exceptional item	2	-	(750,400)
OPERATING LOSS	3	(1,053,723)	(1,423,640)
Interest payable and similar charges	4	(79,363)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,133,086)	(1,423,640)
Taxation	6	558,299	(302,227)
RETAINED LOSS FOR THE PERIOD	13	(574,787)	(1,725,867)

The operating loss for the period arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

Cloud 9 (Revelations) Limited

BALANCE SHEET

31 March 2005

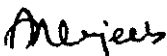
	Notes	2005 £	2004 £
FIXED ASSETS			
Intangible assets	7	-	949,670
CURRENT ASSETS			
Debtors	8	-	104,053
Cash at bank and in hand		-	-
		-	104,053
CREDITORS: Amounts falling due within one year	9	(36,539)	(36,539)
NET CURRENT (LIABILITIES)/ASSETS		(36,539)	67,514
TOTAL ASSETS LESS CURRENT LIABILITIES		(36,539)	1,017,184
CREDITORS: Amounts falling due after one year	10	(1,666,614)	(1,587,251)
PROVISION FOR LIABILITIES AND CHARGES	11	-	(558,299)
NET LIABILITIES		(1,703,153)	(1,128,366)
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Profit and loss account	13	(1,703,154)	(1,128,367)
EQUITY SHAREHOLDERS' FUNDS	14	(1,703,153)	(1,128,366)

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

- (a) For the year ended 31 March 2005, the company was entitled to exemption under section 249A(1) of the Companies Act 1985.
- (b) Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.
- (c) The directors acknowledge their responsibility for:

- i. Ensuring the company keeps accounting records which comply with section 221, and
- ii. Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its financial year, and of its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

Approved by the board on 6 June 2006

A Najeeb  Director

Cloud 9 (Revelations) Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

GOING CONCERN

The directors have taken steps to reduce ongoing cost other than interest on loan notes to below the projected income from current titles. Interest on loan notes is deferred until capital repayment is required in 2019. Despite the very reduced activity levels, the directors consider that the continued adoption of the going concern concept in the preparation of the financial statements is appropriate.

INTANGIBLE FIXED ASSETS

Screen production catalogues are capitalised and amortised over the directors' estimate of their expected useful life, ranging from 5 to 20 years, in accordance with FRS 10. Estimates of expected useful life are based on the future earnings potential of the asset. Amortisation of screen productions commences after the underlying property has been completed and delivered.

Intangible assets are reviewed for impairment at the end of the first full financial year following acquisition and in other years if events or changes in circumstances indicate that the carrying value may not be recoverable.

SCREEN PRODUCTION CATALOGUES

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

DEFERRED TAXATION

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

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

TRANSLATION OF FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate ruling at that date. These translation differences are dealt with in the profit and loss account.

COMPARATIVE FIGURES

The comparative figures are in respect of the 18 month period ended 31 March 2004.

TURNOVER

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

Cloud 9 (Revelations) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and loss before taxation were all derived from its principal activity. No sales were made during the year.

2 EXCEPTIONAL ITEM

	Year ended 31 March 2005 £	18 month period ended 31 March 2004 £
Reversal of contract:		
Reversal of Income	-	(1,876,000)
Reversal of Cost of Sales	-	1,125,000
	-	(750,400)

The exceptional item above related to the reversal of a transaction that took place in the previous accounting period. Income and cost of sales of the above amounts were included on the basis of a signed deal memorandum. In the period to 31 March 2004 however, this deal collapsed, so the transaction was reversed.

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year Ended 31 March 2005 £	18 month period ended 31 March 2004 £
Loss on ordinary activities before taxation is stated after charging:		
Auditors' remuneration – audit fees	-	4,500
Amortisation of intangible fixed assets charge for the period		
owned assets	7,522	4,537
leased assets	103,411	282,006
Write down of fixed asset	838,737	700,000
Reversal of contract	-	750,400

The carrying values from the various intangible assets have been written down to £Nil to reflect the reduction on the expectation of cashflows arising from the exploitation of the historic investments.

4 INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31 March 2005 £	18 month period ended 31 March 2004 £
Group interest	79,363	-

5 DIRECTORS' EMOLUMENTS

None of the directors received any remuneration during the period.

Cloud 9 (Revelations) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

6	TAXATION	Year ended 31 March 2005 £	18 month period ended 31 March 2004 £
	Current tax:		
	UK corporation tax at 19%	-	-
	Deferred tax:		
	Origination and reversal of timing differences	(558,299)	302,227
		<u>(558,299)</u>	<u>302,227</u>
	Factors affecting the charge for the period:		
	Tax assessed for the period is lower than the standard rate of corporation tax in the UK (19%)		
	The difference is explained below:		
	Loss on ordinary activities before tax	(1,133,086)	(1,423,640)
		<u></u>	<u></u>
	Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK at 19% (2004: 30%)	(339,926)	(427,092)
	Effects of:		
	Tax losses not utilised	45,092	127,820
	Expenses not deductible for tax purposes	31,136	4,670
	Capital allowances for the period in excess of depreciation	263,698	294,602
		<u></u>	<u></u>
	Current tax charge	-	-

At 31 March 2005, a potential deferred taxation asset of £475,139 (2004: £ 430,047) was not recognised due to the uncertainty of the timing of future profits. At the same date £1,583,798 (2004: £1,433,491) of tax losses were available to carry forward.

7	INTANGIBLE FIXED ASSETS	Screen productions catalogue £	Dubbing costs £	Total £
	Cost/valuation:			
	1 April 2004	1,876,637	75,215	1,951,852
	Additions	-	-	-
	31 March 2005	<u>1,876,637</u>	<u>75,215</u>	<u>1,951,852</u>
	Amortisation			
	1 April 2004	997,645	4,537	1,002,182
	Charge for the period	103,411	7,522	110,933
	Write down in period	775,581	63,156	838,737
	31 March 2005	<u>1,876,637</u>	<u>75,215</u>	<u>1,951,852</u>
	Net book value			
	31 March 2005	-	-	-
	31 March 2004	<u>878,992</u>	<u>70,678</u>	<u>949,670</u>

The net book value of the screen production catalogue held under finance lease is £Nil (2004: £878,992).

Cloud 9 (Revelations) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

8	DEBTORS	2005 £	2004 £
	Due within one year:		
	Amounts owed by other group undertakings	-	103,786
	Other debtors	-	267
		<u>-</u>	<u>104,053</u>
9	CREDITORS: Amounts falling due within one year	2005 £	2004 £
	Amounts due to other group undertakings	36,539	36,539
10	CREDITORS: Amounts falling due after one year	2005 £	2004 £
	Other loan -- due to group undertaking	1,666,614	1,587,251
<p>The loan is secured by a fixed and floating charge over the assets of the company.</p> <p>In February 2004 as part of a restructuring of the ownership of one of the company's parent undertakings, the company's indebtedness to its banker was settled by a parent undertaking out of the proceeds of a Secured Loan Note (2019). The repayment of resulting debt is considered by the directors to be deferred on a basis similar to that of the parent undertaking Secured Loan Note.</p> <p>Interest is accruing on the loan at 5% and is also considered by the directors to be deferred.</p>			
11	PROVISIONS FOR LIABILITIES AND CHARGES	2005 £	2004 £
	Provision for deferred tax is:		
	Accelerated capital allowances	-	558,299
		<u>-</u>	<u>558,299</u>
	At 1 April 2004	558,299	558,299
	Deferred tax charged to profit and loss account	(558,299)	-
		<u>-</u>	<u>558,299</u>
	At 31 March 2005	-	558,299
12	SHARE CAPITAL	2005 £	2004 £
	Authorised:		
	100 ordinary shares of £1 each	100	100
		<u>100</u>	<u>100</u>
	Issued and fully paid:		
	1 ordinary share of £1 each	1	1
		<u>1</u>	<u>1</u>

Cloud 9 (Revelations) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

13	PROFIT AND LOSS ACCOUNT	2005 £	2004 £
	1 April 2004	(1,128,367)	597,500
	Loss for the financial period	(574,787)	(1,725,867)
	31 March 2005	(1,703,154)	(1,128,367)

14	MOVEMENT IN SHAREHOLDERS' FUNDS	2005 £	2004 £
	Loss for the financial period	(574,787)	(1,725,867)
	Opening shareholders' funds	(1,128,366)	597,501
	Closing shareholders' funds	(1,703,153)	(1,128,366)

15 CONTINGENT LIABILITY

Group guarantee

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

The total of the loan notes outstanding including interest at 31 March 2005 was £25,900,825.

Sale and leaseback transaction

The company has entered into certain sale and leaseback transactions for television programme rights. Amounts are held in deposit accounts as a result of these transactions, and comprise monies to provide for the discharge of future leasing liabilities. The banks with which these sums are deposited have given guarantees to the lessors in respect of the lease liabilities. The contingent liability would only crystallise upon the failure of the bank holding the deposit.

The amounts involved are as follows:

	2005 £	2004 £
Amounts held on deposit	1,713,904	1,756,320
Less: Loans outstanding	(1,713,904)	(1,756,320)
	-	-
The maturity of the above amounts is as follows:		
Less than one year	51,537	42,416
Two to five years	307,993	266,212
Over five years	1,354,374	1,447,692
	1,713,904	1,756,320

Cloud 9 (Revelations) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2005

16 RELATED PARTY DISCLOSURES

The company has the following balances with fellow subsidiary undertakings and its parent company at 31 March 2005:

	2005 £	2004 £
Cloud 9 Screen Entertainment Group Limited	(1,666,614)	(1,587,251)
Cloud 9 Screen Entertainment Limited	-	103,786
Cumulus Distribution Limited	(36,539)	(36,539)

17 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company's immediate controlling undertaking is Cloud 9 Screen Entertainment Limited, a company incorporated in England and Wales. In the directors' opinion, the ultimate controlling party is Muskoka New Zealand Limited.