

**REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008
FOR
NOLAVA HOLDINGS LIMITED**

THURSDAY



L6EIF9GR

L17

30/04/2009

43

COMPANIES HOUSE

NOLAVA HOLDINGS LIMITED

**CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008**

| | Page |
|---|-------------|
| Company Information | 1 |
| Report of the Directors | 2 |
| Report of the Independent Auditors | 4 |
| Consolidated Profit and Loss Account | 5 |
| Consolidated Balance Sheet | 6 |
| Company Balance Sheet | 7 |
| Consolidated Cash Flow Statement | 8 |
| Notes to the Consolidated Cash Flow Statement | 9 |
| Notes to the Consolidated Financial Statements | 11 |
| Consolidated Trading and Profit and Loss Account | 23 |

NOLAVA HOLDINGS LIMITED
COMPANY INFORMATION
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008

DIRECTORS:

J Thoday
R Allen-Turner

SECRETARY:

R Allen-Turner

REGISTERED OFFICE:

4A Exmoor Street
London
W10 6BD

REGISTERED NUMBER:

06433072 (England and Wales)

AUDITORS:

MacIntyre Hudson LLP
Registered Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

NOLAVA HOLDINGS LIMITED
REPORT OF THE DIRECTORS
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008

The directors present their report with the financial statements of the company and the group for the period 21 November 2007 to 30 June 2008.

INCORPORATION

The group was incorporated on 21 November 2007.

PRINCIPAL ACTIVITY

The principal activities of the group in the period under review were those of television production and the provision of services of performers in the entertainment industry.

REVIEW OF BUSINESS

The Directors of Nolava Holdings Ltd are pleased to present the company's first set of consolidated accounts.

In early April 2008, Nolava purchased the entire share capital of Avalon Entertainment Ltd, a company that was owned and controlled by the same shareholders.

The first set of accounts cover the period 21st November 2007 to 30th June 2008. Prior to 4th April, the company did not trade. So this set of accounts illustrates just less than 3 months of trading.

The Net Assets in the Balance Sheet principally represent goodwill on acquisition; this is being amortised over a 10 year period. As at 30 June the company had Net Debt of approximately £4.8m.

The Directors look forward to the first full year of trading.

DIVIDENDS

No dividends will be distributed for the period ended 30 June 2008.

DIRECTORS

The directors who have held office during the period from 21 November 2007 to the date of this report are as follows:

Mikjon Limited - appointed 21 November 2007 - resigned 2 April 2008

J Thoday - appointed 2 April 2008

R Allen-Turner - appointed 2 April 2008

Both the directors who are eligible offer themselves for election at the forthcoming first Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NOLAVA HOLDINGS LIMITED
REPORT OF THE DIRECTORS
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008

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 group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, MacIntyre Hudson LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



.....
J Thoday - Director

Date: 5/2/09

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
NOLAVA HOLDINGS LIMITED**

We have audited the financial statements of Nolava Holdings Limited for the period ended 30 June 2008 on pages five to twenty two. 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page two.

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 in our opinion the information given in the Report of the Directors 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 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.

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 affairs of the company and the group as at 30 June 2008 and of the loss of the group 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 Report of the Directors is consistent with the financial statements.

MacIntyre Hudson LLP

MacIntyre Hudson LLP
Registered Auditors
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date: 6/2/09

NOLAVA HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008

| | Notes | £ |
|--|-------|------------------------|
| TURNOVER | | 7,272,626 |
| Cost of sales | | <u>5,011,221</u> |
| GROSS PROFIT | | 2,261,405 |
| Administrative expenses | | <u>1,945,155</u> |
| OPERATING PROFIT | 3 | 316,250 |
| Interest receivable and similar income | | <u>11,298</u> |
| | | <u>327,548</u> |
| Interest payable and similar charges | 4 | <u>150,125</u> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 177,423 |
| Tax on profit on ordinary activities | 5 | <u>219,349</u> |
| LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION | | <u>(41,926)</u> |

CONTINUING OPERATIONS

All of the group's activities during the current period relate to acquisitions and are continuing.

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the loss for the current period.

The notes form part of these financial statements

NOLAVA HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET
30 JUNE 2008

| | Notes | £ | £ |
|--|-------|-------------------|-------------------------|
| FIXED ASSETS | | | |
| Intangible assets | 7 | | 16,029,488 |
| Tangible assets | 8 | | 146,400 |
| Investments | 9 | | - |
| | | | <u>16,175,888</u> |
| CURRENT ASSETS | | | |
| Stocks | 10 | 212,255 | |
| Debtors | 11 | 9,926,344 | |
| Cash at bank and in hand | | 3,093,469 | |
| | | <u>13,232,068</u> | |
| CREDITORS | | | |
| Amounts falling due within one year | 12 | 16,267,858 | |
| | | <u></u> | |
| NET CURRENT LIABILITIES | | | <u>(3,035,790)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>13,140,098</u> |
| CREDITORS | | | |
| Amounts falling due after more than one year | 13 | | 4,419,479 |
| | | | <u></u> |
| NET ASSETS | | | <u><u>8,720,619</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | | 9,901 |
| Share premium | 17 | | 8,752,644 |
| Profit and loss account | 17 | | (41,926) |
| | | | <u></u> |
| SHAREHOLDERS' FUNDS | 19 | | <u><u>8,720,619</u></u> |

The financial statements were approved by the Board of Directors on 5/2/09 and were signed on its behalf by:



 J Thoday - Director


The notes form part of these financial statements

NOLAVA HOLDINGS LIMITED

**COMPANY BALANCE SHEET
30 JUNE 2008**

| | Notes | £ | £ |
|--|-------|-----------|-------------------------|
| FIXED ASSETS | | | |
| Intangible assets | 7 | | - |
| Tangible assets | 8 | | - |
| Investments | 9 | | 12,861,598 |
| | | | <u>12,861,598</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 12 | 1,204,168 | |
| NET CURRENT LIABILITIES | | | <u>(1,204,168)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 11,657,430 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 13 | | 3,000,000 |
| NET ASSETS | | | <u><u>8,657,430</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | | 9,901 |
| Share premium | 17 | | 8,752,644 |
| Profit and loss account | 17 | | (105,115) |
| SHAREHOLDERS' FUNDS | 19 | | <u><u>8,657,430</u></u> |

The financial statements were approved by the Board of Directors on 5/2/09 and were signed on its behalf by:


.....
J Thollay - Director

The notes form part of these financial statements

NOLAVA HOLDINGS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008

| | Notes | £ | £ |
|--|-------|--------------------|--------------------|
| Net cash outflow from operating activities | 1 | | (546,962) |
| Returns on investments and servicing of finance | 2 | | (138,827) |
| Taxation | | | 147,875 |
| Capital expenditure and financial investment | 2 | | (174,407) |
| Acquisitions and disposals | 2 | | (4,099,054) |
| | | | (4,811,375) |
| Financing | 2 | | 6,905,191 |
| Increase in cash in the period | | | 2,093,816 |
| Reconciliation of net cash flow to movement in net debt | 3 | | |
| Increase in cash in the period | | 2,093,816 | |
| Cash inflow from increase in debt and lease financing | | <u>(6,895,290)</u> | |
| Change in net debt resulting from cash flows | | | <u>(4,801,474)</u> |
| Movement in net debt in the period | | | (4,801,474) |
| Net debt at 21 November | | | - |
| Net debt at 30 June | | | (4,801,474) |

The notes form part of these financial statements

NOLAVA HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | £ |
|---|------------------|
| Operating profit | 316,250 |
| Depreciation charges | 439,020 |
| Elimination of reserves on acquisition | (3,588,803) |
| Increase in stocks | (212,255) |
| Increase in debtors | (9,926,344) |
| Increase in creditors | 12,425,170 |
| Net cash outflow from operating activities | (546,962) |

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

| | £ |
|---|--------------------|
| Returns on investments and servicing of finance | |
| Interest received | 11,298 |
| Interest paid | (147,804) |
| Interest element of finance lease payments | (501) |
| Finance costs | (1,820) |
| Net cash outflow for returns on investments and servicing of finance | (138,827) |
| Capital expenditure and financial investment | |
| Tangible fixed assets acquired | (174,407) |
| Net cash outflow for capital expenditure and financial investment | (174,407) |
| Acquisitions and disposals | |
| Cash consideration | (4,000,000) |
| Acquisition expenses | (99,054) |
| Net cash outflow for acquisitions and disposals | (4,099,054) |
| Financing | |
| New loans in year | 6,877,490 |
| New finance leases | 17,800 |
| Share issue | 9,901 |
| Net cash inflow from financing | 6,905,191 |

The notes form part of these financial statements

NOLAVA HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008**

3. ANALYSIS OF CHANGES IN NET DEBT

| | At 21/11/07 £ | Cash flow £ | At 30/6/08 £ |
|--------------------------------------|---------------------|--------------------|--------------------|
| Net cash: | | | |
| Cash at bank and in hand | - | 3,093,469 | 3,093,469 |
| Bank overdraft | - | (999,653) | (999,653) |
| | <u>-</u> | <u>2,093,816</u> | <u>2,093,816</u> |
| Debt: | | | |
| Finance leases | - | (17,800) | (17,800) |
| Debts falling due within one year | - | (2,458,011) | (2,458,011) |
| Debts falling due after one year | - | (4,419,479) | (4,419,479) |
| | <u>-</u> | <u>(6,895,290)</u> | <u>(6,895,290)</u> |
| Total | <u>-</u> | <u>(4,801,474)</u> | <u>(4,801,474)</u> |

4. MAJOR NON-CASH TRANSACTIONS

Included in 'new loans in the year' are loans of £2,877,490 acquired with the subsidiary undertaking Avalon Entertainment Limited.

Avalon Entertainment Limited was acquired for £4,000,000 in cash and £8,762,545 in shares. For further details please see Note 21.

The notes form part of these financial statements

NOLAVA HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008

1. ACCOUNTING POLICIES

Accounting convention

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

Basis of consolidation

The financial statements include the financial statements of the company and its subsidiary undertaking Avalon Entertainment Limited drawn up to 30 June 2008.

The results of subsidiaries acquired are consolidated for the period from the date on which control passed. Acquisitions are accounted for under the acquisition method.

Turnover

Turnover represents amounts receivable for services provided in the normal course of business, net of value added tax.

Profit is recognised on long-term production contracts if the total outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is recognised on the basis of the proportion of the production which has been produced at the balance sheet date, provided principal photography has commenced.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings represents any excess of fair value of the consideration over the fair value of the identifiable assets and liabilities acquired and is capitalised and written off over its estimated useful economic life of 10 years. Provision is made for any impairment.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|--------------------------|-----------------|
| Improvements to property | - 12.5% on cost |
| Fixtures and fittings | - 25% on cost |
| Motor vehicles | - 25% on cost |
| Computer equipment | - 25% on cost |

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

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.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the profit and loss account in the period to which they relate.

Work in progress

Where pre-production costs have been incurred prior to the main production process, these costs are carried as work in progress in the balance sheet to the extent that they are expected to be covered by a production contract or recoverable from third parties.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

NOLAVA HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008**

2. STAFF COSTS

| | £ |
|-----------------------|------------------|
| Wages and salaries | 980,723 |
| Social security costs | 88,217 |
| Other pension costs | 17,168 |
| | <u>1,086,108</u> |

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

| | |
|---------------------------------|-----------|
| Directors | 7 |
| Administration | 21 |
| Artist management and promotion | 28 |
| Television production | 30 |
| | <u>86</u> |

3. OPERATING PROFIT

The operating profit is stated after charging:

| | £ |
|--|----------------|
| Depreciation - owned assets | 28,007 |
| Goodwill amortisation | 411,013 |
| Auditors' remuneration | 11,668 |
| Auditors' remuneration for non audit work | 5,610 |
| Foreign exchange differences | 4,540 |
| | <u>460,838</u> |
| Directors' emoluments | 315,766 |
| Directors' pension contributions to money purchase schemes | 14,908 |
| | <u>330,674</u> |

Information regarding the highest paid director is as follows:

| | £ |
|----------------|---------------|
| Emoluments etc | 94,156 |
| | <u>94,156</u> |

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | £ |
|----------------|----------------|
| Bank interest | 58,191 |
| Loan interest | 89,613 |
| Hire purchase | 501 |
| Other interest | 1,820 |
| | <u>150,125</u> |

NOLAVA HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008**

5. TAXATION

Analysis of the tax charge

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

| | £ |
|---|----------------|
| Current tax: | |
| UK corporation tax | 214,730 |
| Adjustments in respect of prior periods | (13,773) |
| | <u>200,957</u> |
| Total current tax | 200,957 |
| Deferred tax | 18,392 |
| | <u>18,392</u> |
| Tax on profit on ordinary activities | <u>219,349</u> |

Factors affecting the tax charge

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

| | £ |
|---|----------------|
| Profit on ordinary activities before tax | 177,423 |
| | <u>177,423</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 29.503% | 52,345 |
| Effects of: | |
| Depreciation in excess of capital allowances | 2,887 |
| Permanent disallowables | 12,049 |
| Utilisation of trading losses | 23,122 |
| Timing differences relating to accrued loan interest | (18,088) |
| Adjustments to tax charge in respect of prior periods | (13,773) |
| Marginal relief | (306) |
| Consolidation adjustments | 142,721 |
| | <u>142,721</u> |
| Current tax charge | <u>200,957</u> |

6. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(105,115).

NOLAVA HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008

7. INTANGIBLE FIXED ASSETS

| Group | Goodwill £ |
|-------------------------|-----------------------|
| COST | |
| Additions | 16,440,501 |
| At 30 June 2008 | 16,440,501 |
| AMORTISATION | |
| Amortisation for period | 411,013 |
| At 30 June 2008 | 411,013 |
| NET BOOK VALUE | |
| At 30 June 2008 | 16,029,488 |

Goodwill is comprised of that which arose on the acquisition of Avalon Entertainment Limited.

8. TANGIBLE FIXED ASSETS

| Group | Improvements to property £ | Fixtures and fittings £ | Motor vehicles £ | Computer equipment £ | Totals £ |
|-----------------------|---|--|---------------------------------|-------------------------------------|---------------------|
| COST | | | | | |
| Acquired | 7,178 | 64,765 | 39,901 | 62,563 | 174,407 |
| At 30 June 2008 | 7,178 | 64,765 | 39,901 | 62,563 | 174,407 |
| DEPRECIATION | | | | | |
| Charge for period | 7,178 | 6,398 | 5,461 | 8,970 | 28,007 |
| At 30 June 2008 | 7,178 | 6,398 | 5,461 | 8,970 | 28,007 |
| NET BOOK VALUE | | | | | |
| At 30 June 2008 | - | 58,367 | 34,440 | 53,593 | 146,400 |

NOLAVA HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008

9. FIXED ASSET INVESTMENTS

| Company | Shares in group undertakings £ |
|-----------------------|---|
| COST | |
| Additions | 12,861,598 |
| At 30 June 2008 | <u>12,861,598</u> |
| NET BOOK VALUE | |
| At 30 June 2008 | <u><u>12,861,598</u></u> |

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiary

Avalon Entertainment Limited

Nature of business: Provision of services of performers

| | % | |
|--------------------------------|---------|-----------------------|
| Class of shares: | holding | |
| A Ordinary | 100.00 | |
| B Ordinary | 100.00 | |
| | | £ |
| Aggregate capital and reserves | | 299,902 |
| Profit for the period | | <u><u>290,000</u></u> |

On 4 April 2008 the company acquired the entire share capital of Avalon Entertainment Limited.

10. STOCKS

| | Group £ |
|------------------|-----------------------|
| Work-in-progress | <u><u>212,255</u></u> |

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group £ |
|--------------------------------|-------------------------|
| Trade debtors | 3,753,959 |
| Other debtors | 1,254,649 |
| Prepayments and accrued income | 4,917,736 |
| | <u><u>9,926,344</u></u> |

NOLAVA HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008**

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group £ | Company £ |
|---|-------------------|------------------|
| Bank loans and overdrafts (see note 14) | 2,399,445 | 1,204,168 |
| Other loans (see note 14) | 1,058,219 | - |
| Finance leases (see note 15) | 17,800 | - |
| Trade creditors | 1,947,619 | - |
| Tax | 367,224 | - |
| Social security and other taxes | 176,799 | - |
| VAT | 44,285 | - |
| Other creditors | 882,926 | - |
| Accruals and deferred income | 9,373,541 | - |
| | <u>16,267,858</u> | <u>1,204,168</u> |

Included within other creditors are amounts due to the directors of the company as follows:

J Thoday £55,891
R Allen-Turner £161,548

These loans are interest free and have no fixed terms of repayment.

A cross guarantee and debenture exists between the company, its subsidiary company Avalon Entertainment and its subsidiary companies; Avalon Television Limited, Avalon Management Group Limited, Avalon Promotions Limited, Avalon Public Relations Limited, Funnyfriend Limited and Liberty Bell Productions Limited, to secure bank overdraft and loan facilities available to these companies.

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group £ | Company £ |
|--------------------------|------------------|------------------|
| Bank loans (see note 14) | <u>4,419,479</u> | <u>3,000,000</u> |

NOLAVA HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008**

14. LOANS

An analysis of the maturity of loans is given below:

| | Group £ | Company £ |
|---|------------------|------------------|
| Amounts falling due within one year or on demand: | | |
| Bank overdrafts | 999,653 | 204,168 |
| Bank loans | 1,399,792 | 1,000,000 |
| Deferred consideration | 1,058,219 | - |
| | <u>3,457,664</u> | <u>1,204,168</u> |
| Amounts falling due between one and two years: | | |
| Bank loans - 1-2 years | <u>1,419,479</u> | <u>-</u> |
| Amounts falling due between two and five years: | | |
| Bank loans - 2-5 years | <u>3,000,000</u> | <u>3,000,000</u> |

The bank loans are accruing interest at 1.75% above Barclays Bank's base rate.

Deferred consideration relates to the final instalment payable in August 2008 in relation to Avalon Television Limited's purchase of Liberty Bell Productions Limited.

15. OBLIGATIONS UNDER LEASING AGREEMENTS

Group

| | Finance leases £ |
|----------------------------|------------------------|
| Net obligations repayable: | |
| Within one year | <u>17,800</u> |

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

Group

| | Land and buildings £ |
|----------------------------|----------------------------|
| Expiring: | |
| Within one year | 96,932 |
| Between one and five years | 12,043 |
| | <u>108,975</u> |

NOLAVA HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008

16. CALLED UP SHARE CAPITAL

| Authorised: Number: | Class: | Nominal value: | £ |
|------------------------|-------------------|-------------------|---------------|
| 1,000,000 | A Ordinary shares | £0.01 | 10,000 |
| 100,000 | B Ordinary shares | £0.01 | 1,000 |
| | | | <u>11,000</u> |

| Allotted, issued and fully paid: Number: | Class: | Nominal value: | £ |
|---|-------------------|-------------------|--------------|
| 945,200 | A Ordinary shares | £0.01 | 9,451 |
| 45,000 | B Ordinary shares | £0.01 | 450 |
| | | | <u>9,901</u> |

NOLAVA HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008**

16. CALLED UP SHARE CAPITAL - continued

945,200 A Ordinary shares of £0.01 each were allotted at a premium of £9.19 per share during the year in exchange for shares in Avalon Entertainment Limited.

45,000 B Ordinary shares of £0.01 each were allotted at a premium of £1.55 during the year in exchange for shares in Avalon Entertainment Limited.

The rights in relation to the different classes of shares are as follows:

Capital

On return of assets on a liquidation or a winding-up, reduction of capital, or otherwise the assets of the Company remaining after payment of such of its liabilities as it is necessary to discharge to effect the distribution ("net proceeds") shall be distributed as follows:

- (a) to the holders of the A Shares, in respect of their A Shares then held, the full amount of the net proceeds up to an amount equal to the threshold value.
- (b) thereafter, the balance of the net proceeds, if any, shall be distributed to each of the holders of the A Shares and the B Shares in proportion to the number of A Shares or B Shares held by them respectively.

In the event of a sale, the proceeds of such sale shall be distributed between the selling shareholders in the manner set out above, as if the same constituted a liquidation of the Company.

Voting in General Meetings

The holders of the A Shares shall be entitled to receive notice of and to attend and vote at the general meetings of the Company, every holder of A Shares who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy, shall have one vote on a show of hands and on a poll every holder of A Shares so present shall have one vote for each A Share held by him.

The holders of the B Shares shall not be entitled to receive notice of, nor to attend or vote at general meetings of the Company.

Income

No dividend shall be payable on any Shares in respect of any financial period of the Company unless there are sufficient profits of the Company available for distribution.

The A Shares and the B Shares shall be treated as separate classes of Shares for the purposes of all distributions and accordingly the Company or the Board (as the case may be, as required pursuant to the Act) shall not be under any obligation to make any distribution to one class of Shares if it makes a distribution to another class of Shares, nor shall the Company or the Board be under any obligation to pay the same amount by way of dividend on each class of Shares.

Any distribution payable to the holders of the B Shares shall not be paid in respect of any unvested Shares.

NOLAVA HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008

17. RESERVES

Group

| | Profit and loss account £ | Share premium £ | Totals £ |
|------------------------|------------------------------------|-----------------------|------------------|
| Deficit for the period | (41,926) | | (41,926) |
| Cash share issue | - | 8,752,644 | 8,752,644 |
| At 30 June 2008 | <u>(41,926)</u> | <u>8,752,644</u> | <u>8,710,718</u> |

Company

| | Profit and loss account £ | Share premium £ | Totals £ |
|------------------------|------------------------------------|-----------------------|------------------|
| Deficit for the period | (105,115) | | (105,115) |
| Cash share issue | - | 8,752,644 | 8,752,644 |
| At 30 June 2008 | <u>(105,115)</u> | <u>8,752,644</u> | <u>8,647,529</u> |

18. ULTIMATE CONTROLLING PARTY

The controlling party of Nolava Holdings Limited is J Thoday.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

| | £ |
|--|------------------|
| Loss for the financial period | (41,926) |
| Share issue | 8,762,545 |
| Net addition to shareholders' funds | <u>8,720,619</u> |
| Opening shareholders' funds | - |
| Closing shareholders' funds | <u>8,720,619</u> |
| Equity interests | <u>8,720,619</u> |

NOLAVA HOLDINGS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008**

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS - continued

Company

| | £ |
|--|------------------|
| Loss for the financial period | (105,115) |
| Share issue | 8,762,545 |
| Net addition to shareholders' funds | 8,657,430 |
| Opening shareholders' funds | - |
| Closing shareholders' funds | 8,657,430 |
| Equity interests | <u>8,657,430</u> |

20. CASH AT BANK AND IN HAND

| | 2008 £ | 2007 £ |
|---|----------------|------------------|
| Amounts held on deposit | 6,795,630 | 7,407,716 |
| Less: associated finance lease liabilities | (6,795,630) | (7,407,716) |
| | - | - |
| Amounts held in programme production trust accounts | (88,532) | 103,638 |
| Other cash at bank and in hand | 447,528 | (1,016,706) |
| | <u>358,996</u> | <u>(913,068)</u> |

Amounts held on deposit in Avalon Television Limited, a subsidiary of Avalon Entertainment Limited, arise as a result of sale and leaseback transactions and comprise monies to provide for the discharge of future leasing liabilities disclosed above.

In the two years ended 30th June 2002 Avalon Television Limited entered into several sale and finance leaseback transactions. It is the opinion of the directors that this type of transaction does not dispose of the risks and rewards of the ownership of the production, and as such the transaction is not recognised as a sale and subsequent leaseback.

The directors have recognised the transaction's fees, and associated costs over the useful life of the production, which the directors estimate to be less than one year. The directors have deposited the proceeds from the sale in a trust account with a bank. This bank account may only be used to pay off the lease payments.

NOLAVA HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE PERIOD 21 NOVEMBER 2007 TO 30 JUNE 2008

21. ACQUISITIONS

Nolava Holdings Limited acquired all the share capital of Avalon Entertainment Limited on 4 April 2008. The purchase has been accounted for as an acquisition. The total consideration was £12,861,598 summarised as follows:

| | Book value £ | Total Adjustments £ | Fair value £ |
|---------------------------------------|-----------------|---------------------------|-----------------|
| Share capital | 9,902 | - | 9,902 |
| Retained earnings | (694,696) | - | (694,696) |
| Elimination of Goodwill in subsidiary | | (2,894,109) | (2,894,109) |
| Net liabilities acquired | (684,794) | (2,894,109) | (3,578,903) |
| Goodwill | | | 16,440,501 |
| | | | 12,861,598 |
| Satisfied by: | | | |
| Cash consideration | | | 4,000,000 |
| Value of shares allotted | | | 8,762,545 |
| Acquisition costs | | | 99,053 |
| | | | 12,861,598 |