

CONTENTFILM PLC

ANNUAL REPORT & ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2007

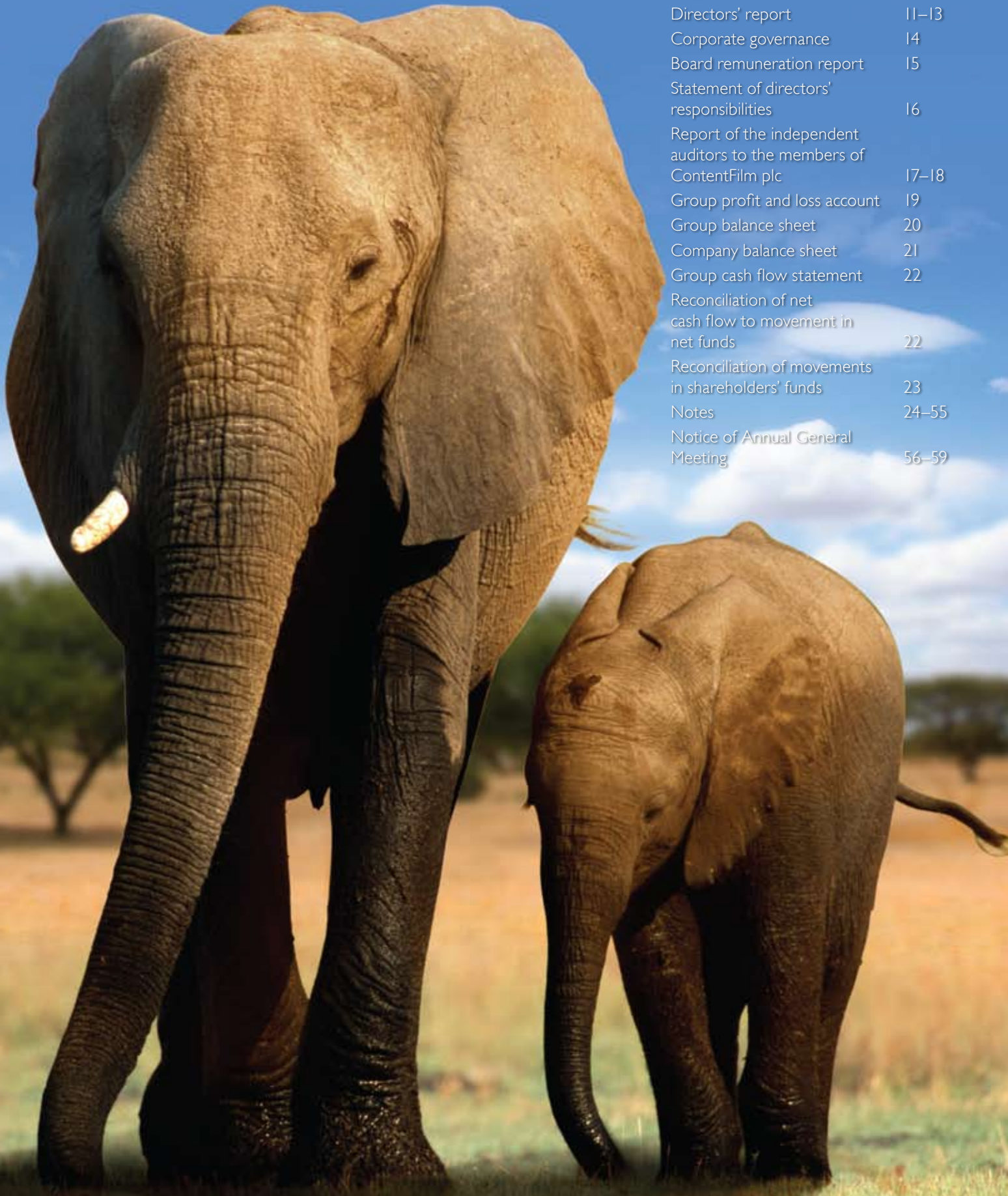
Cover Image: "BLACK BOOK" directed by Paul Verhoeven, starred Carice Van Houten, was selected in Competition for Venice 2006, was the Dutch entry for the Best Foreign Film Oscar 2006 and achieved a record breaking 1 million admissions in The Netherlands.

Opposite Page: 'ELEPHANTS OF THE OKAVANGO'

Credits not contractual

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INTRODUCTION

The year ended 31 March 2007 was a successful year for our Company. Our growing library of film, television, DVD and digital assets, combined with our focused distribution strategy, produced Normalised Profit Before Tax in excess of £3 million on revenues of £21 million.

We acquired a significant new library and distribution operation in 2007, our new US home entertainment company, Allumination Filmworks. This acquisition contributed healthily to our profits and sets the company up for further growth in the world's largest entertainment market.

Goals met. Results delivered.

One year ago in our Annual Report, we stated the following short term goals:

- continue to manage our library assets
- attract new product to our film and television divisions
- launch Heavy.com and build a new media business
- integrate Allumination so that it enhances our revenues and earnings going forward.

INTRODUCTION (CONTINUED)

Our results have been as follows:

1. The Fireworks library had a particularly strong year in 2007, generating sales of approximately £8m. The large multi-episodic Sci-Fi and Action Adventure series like “Andromeda”, “Mutant X” and “Relic Hunter” continue to sell well throughout the world and the general library continues to churn and deliver revenues and cash flows

2. All of our divisions are attracting healthy levels of new product which can be reviewed on our web-site. Fireworks has acquired new series like “Young Dracula” and “Blood Ties”. The latter 22 x 1 hour series has sold exceptionally well and is on course to deliver strong profits to the Company in the second half of FY08. ContentFilm has acquired many films including “Outpost”, “Splinter”, “August” and “Keep Coming Back”. Our digital division is acquiring product like the Mondo Mini-Series and other digital short form programming. We have been pleased with the product being acquired by Allumination including the “Judge Judy” franchise and the highest rated children’s show on Discovery Kids, the Emmy nominated “Hip Hop Harry”.

3. In December 2006, we recruited the Director of Digital Initiatives from a part of Sony to head up this burgeoning

division. We have been pleased with the development of this division, in terms of its launch of Heavy.com, its acquisition of other digital media rights and its exploitation of the product in our combined library of film and television digital rights.

4. In the eight months of trading from our acquisition date to 31 March 2007, Allumination contributed £8.2m of revenue and £1.4m of net profit to the Group.

In relation to our long term goals, one year ago in our Annual Report we stated the following:

- Expand the body of rights under management, both organically and by finding other libraries to manage;
- To search for complementary asset acquisitions for the Company.

We accomplished part of this plan through our acquisition of Allumination which brought 700 new film titles and 4,000 hours of television programming into the Company. Additionally, we have recently announced that Fireworks has recently acquired the rights to sell and manage a US library of drama and animation television programming - the Harmony Gold library - with in excess of 300 hours of television product. The Company



Christina Cox and Kyle Schmid
‘BLOOD TIES’

INTRODUCTION (CONTINUED)

has not paid an acquisition cost for the library as it is managing the library on behalf of a third party and is being remunerated by way of distribution fees.

We have recently recruited a Head of Film Library Sales to spearhead a new feature film library department. We expect to build this library through both organic growth and library acquisition and it will form an integral part of our feature film sales division.

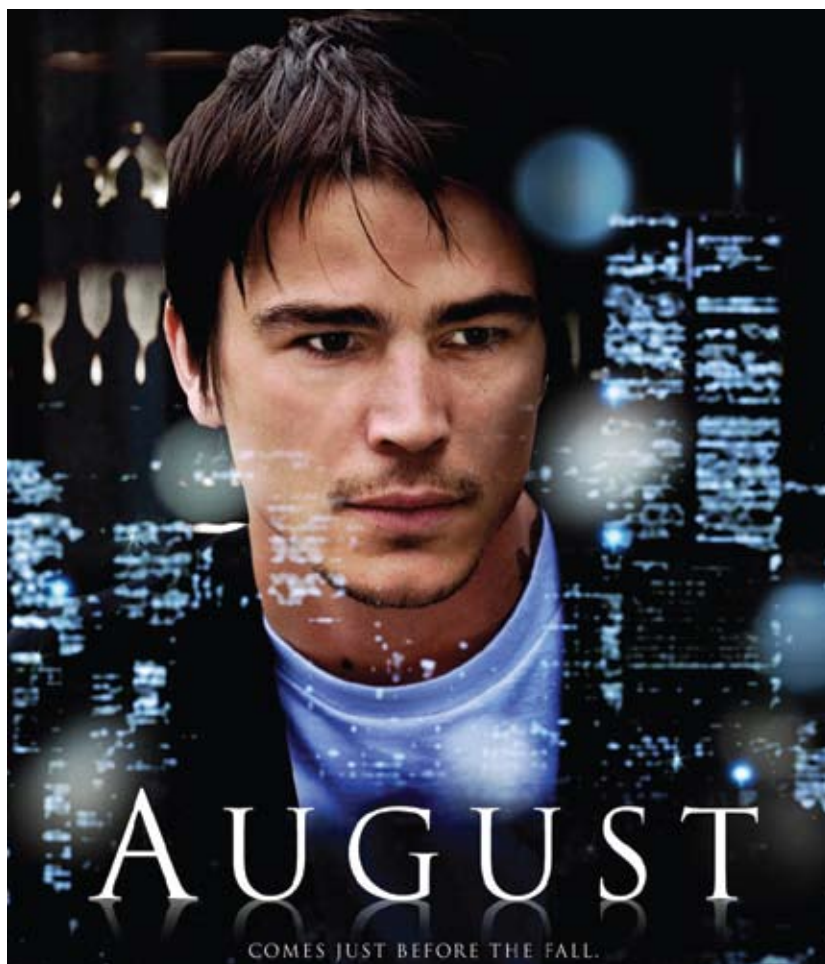
Our goals this year

- We will continue to manage the existing library for strong earnings and cash flow.
- We have set aside growing levels of capital to acquire new product and will build on our current success in attracting new product for Fireworks, ContentFilm, Allumination and our digital division.
- We expect to build on the successful launch of our digital division and to see significant growth through 2008
- We will grow the body of rights under management
- We continue to review possible corporate activities

Conclusion

We transformed our Company in 2006. In 2007 we have seen that transformation generate in excess of £3m of profits which has created additional shareholder value. In the year ended 31 March 2007, our share price grew from 6p to 23p, an increase of 283%.

In our 2008 financial year we expect to continue to achieve continued robust library sales, strong internal growth from product acquisitions and we also expect, as always, to continue to carry out other strategic corporate activities for the benefit of our shareholders.



Josh Hartnett stars in 'AUGUST'

DIRECTORS AND ADVISERS

Directors

Alton Irby (Non-executive Chairman) * §

John Schmidt (Chief Executive)

Kerry McCluggage (Executive Chairman of Allumination FilmWorks LLC)

Huw Davies (Non-executive) * §

Sam Humphreys (Non-executive) * §

* member of remuneration committee

§ member of audit committee

Company Secretary

Geoffrey Webb

Registered office

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London

W1B 4BG

Incorporated in Great Britain, company number 02819652

Nominated Advisor and Nominated Broker

Evolution Beeson Gregory

The Registry

Royal Mint Group

London

EC3N 4LB

Principal Bankers

J P Morgan Chase

345 Park Avenue

New York

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Auditors

Grant Thornton UK LLP

Grant Thornton House

Melton Street

Euston Square

London

NW1 2EP

Solicitors

Olswang

90 Long Acre

London

WC2E 9TT

Registrars

Capita Registrars

The Registry

34 Beckenham Road

Beckenham

Kent

BR3 4TU

Corporate PR

Redleaf Communications Limited

9-13 St Andrew Street

London

EC4A 3AF



JPod

Based on Douglas Coupland's Bestseller



ACADEMY OF TELEVISION
ARTS & SCIENCES

CHAIRMAN'S STATEMENT

Introduction

For the year ended 31 March 2007, ContentFilm plc reports an operating profit before exceptionals of £3.0m (2006: £386,000). The profit before interest, tax, depreciation, goodwill amortisation and exceptionals was £4.1m (2006: £1.1m). The profit before tax, including exceptionals was £5.4m (2006: loss of £3.5m).

These financial results confirm the transformation of the Group to a solid and stable business capable of delivering significant profits and operating cash flows.

This solidity is built on the foundations of a significant and growing library of film, television, specialist and digital entertainment rights. Coupled with that library, the Company has developed and acquired strong sales and distribution capabilities and we are skilled at exploiting and maximising the revenue and cash flow potential of our library.

Additionally, within the spectrum of the entertainment industry, the Company seeks to avoid those areas which are capital intensive with high risk-reward profiles (such as production activities or theatrical distribution), preferring areas with lower risk profiles and more predictable earnings and cash flows (for example television distribution, DVD distribution and film sales agency).

This marriage of quality content ownership and strong distribution capabilities within a managed risk environment has been the foundation behind the Company's success as demonstrated by these financial results.

Trading Outlook

We continue to have good visibility into FY08 and beyond. This visibility is being driven by:

- continued strong earnings and cash flows from our Fireworks library with new contractual sales achieved;
- known contractual sales in relation to newly acquired television series, particularly our largest acquisition to date "Blood Ties", which has proven to be an international success;
- increasing visibility in relation to revenues from our new digital division;
- pleasing levels of new product acquisition in ContentFilm; and
- our Allumination acquisition has delivered good results in FY07. This is particularly satisfying due to the merger and start up of the new business upon acquisition. We expect Allumination to continue to grow in FY08.

Corporate Strategy

ContentFilm's corporate strategy is based upon:

1. Continued growth by asset acquisition or corporate activity

2. Internal organic growth and building a strong distribution infrastructure
3. Operating in a contained risk environment

We have a skilled and professional corporate acquisition capability, headed by our CEO John Schmidt, who has many years of experience in the entertainment industry. In FY06 we acquired the Fireworks library and its sales and distribution team. In FY07, we acquired the Allumination home entertainment business. Both acquisitions have significantly built our library of entertainment content and have proven to be successful and value accretive to our shareholders.

In FY07, we have grown organically and built our distribution capabilities in the following ways:

- by acquiring Allumination, managed by Kerry McCluggage and Cheryl Freeman, which has led to the group having one of North America's prominent home entertainment sales and acquisitions operations; and
- by establishing a new digital distribution division, headed by Jonathan Ford which has acquired and is acquiring content from several new digital sources. Additionally, it is achieving success in exploiting the existing digital rights in our catalogue.

Combining these new operations with our existing two sales and distribution teams - ContentFilm International, led by Jamie Carmichael and Fireworks International, led by Greg Phillips - means we have a powerful distribution platform which is able to exploit our growing library of entertainment content.

Our dual strategy of asset acquisition and internal organic growth has successfully built up a valuable entertainment rights library. Married to this strategy we have limited our entertainment operations to those that operate in a contained risk environment. We do not operate in capital intensive segments of our industry; for example film production or theatrical distribution where significant up-front investments need to be made.

We expect to continue our strategy of building our combined library and distribution capabilities whilst operating in a contained risk environment.

Board, Directors and Employees

The Group now has approximately 85 employees, a significant increase from last year, mainly due to our Allumination acquisition.

In relation to the Board of ContentFilm plc, during the year Edward Pressman resigned from the Board and we thank Ed for his efforts during his time at the Company. Kerry McCluggage joined the Board on 1 September 2006.

Opposite Page: 'JPOD' and 'THE EMMYS'

CHAIRMAN'S STATEMENT (CONTINUED)

Our senior management team now comprises John Schmidt as CEO, Geoff Webb as Chief Financial Officer, Rick Kwak as Head of Business and Legal Affairs, Jamie Carmichael as head of our International Film division, Greg Phillips as head of our International TV division and Kerry McCluggage as head of Allumination.

We continue to have an audit committee and a remuneration committee comprised entirely of non-executive directors to comply with best corporate governance practices.

Results

Turnover from operations for the year to 31 March 2007 was £21.0m (2006: £10.7m). The profit before tax was £1.5m (2006 : loss of £3.5m) and the profit for the year was £5.4m (2006 : loss of £3.5m). This resulted in a basic profit per share of 3.3p (2006: loss of 2.9p).

The Board does not propose a final dividend.

The trading results were influenced by the following factors:

- the continued strong trading of the Fireworks business acquired in FY06. In particular, our multi-episodic drama series like "Andromeda", "Mutant X", "Relic Hunter" and "Even Stevens" continue to sell consistently;
- in relation to our Fireworks acquisition, ongoing strong collections of approximately £300,000 in relation to amounts that had previously been considered unrecoverable and other royalties/participations from our Fireworks assets;
- a strong year for ContentFilm International driven by commissions from "Thank You for Smoking" and "Black Book";
- the acquisition of our North American home entertainment division Allumination, which has been successfully assimilated into the Group and achieved strong revenues and profits since its acquisition;
- the adoption of "FRS 20 (IFRS 2) Share Based Payments" led to a non-cash charge of £240,000 for FY07 and an adjustment to the retained earnings in FY06 of £93,000; and
- a £3.9m taxation credit in relation to the recognition of the benefit of a portion of our deferred tax losses.

The amalgam of these matters has produced strong results in FY07. In relation to our key performance indicators, the figures are:

	£m 2007	£m 2006
Normalised PBT ¹	3.2	0.1
EBITDA ²	4.1	1.1
Cash EBITDA ³	8.4	4.7

¹ Operating profit before goodwill amortisation and share option expenses, after interest

² Earnings before interest, tax, depreciation, goodwill amortisation and share option expenses

³ EBITDA before inventory amortisation

Financial Highlights

The following highlights the main financial matters during the financial year:

1. The Allumination Acquisition

We acquired Allumination via two related acquisitions in July 2006 and September 2006. We paid \$7m in cash and \$3.8m in shares, or approximately \$10.8m (£5.5m) in total, for the acquisition of the new combined business.

Following the acquisition of the UAV assets and as part of the Allumination transaction a significant restructuring was required at inception to rebuild the business, which included a move to a new facility in Q3 of FY07, during the busy trading period leading up to Christmas.

Notwithstanding these challenges, in the combined eight months of trading in FY07, the acquisition has delivered £8.2m of revenue and has contributed £1.4m of net profit to the Group (taking account of all corporate overhead of the division).

We believe the Allumination business has significant scope for growth over the coming years.

2. Debt, Cash Flow and Liquidity

The Group started the year with £8.7m of bank borrowings (before capitalised financing costs of £209,000). The Company borrowed approximately £3.5m to fund the Allumination acquisition. Therefore, at the time of the Allumination acquisition, the Company extended its loan facility with JP Morgan Chase to \$25m (approximately £13m).

During FY07 the net bank debt of the group peaked at approximately £12m. At year end the level of bank debt had fallen to £9.5m, meaning that our bank debt has only increased throughout the year by £780,000, notwithstanding the £3.5m paid as the cash component of the Allumination acquisition.

The collateral available through the loan facility has remained above \$25m since the new loan facility has been in place. Liquidity is therefore strong and the Company has plenty of cash availability in its loan facility to meet working capital requirements and its new product acquisition requirements as the Company continues to grow.

We have recently extended the maturity date on our loan facility to 19 January 2008. The relationship with our banking group remains strong and forms an important part of our ability to undertake attractive acquisitions that are accretive to our shareholders, as demonstrated by our Fireworks and Allumination acquisitions, which both entailed debt elements.

CHAIRMAN'S STATEMENT (CONTINUED)

3. Library Valuations

Under generally accepted accounting policies (GAAP) adopted by the Company, we recognise our film and television inventory at cost. In line with GAAP, these policies do not take account of the underlying value of the inventory, nor do they take account of rights that we acquire at nil cost.

However, for the purposes of determining the bank borrowing collateral behind these rights, an independent valuation is undertaken of our library, based on historical revenues and projected discounted cash flows. These valuations are traditionally conservative in nature due to their bank collateral purpose.

The current library valuations for bank borrowing collateral purposes, value our library at \$54m, significantly above the cost value we recognise in our financial statements.

4. Carried Forward Tax Losses

Despite the Company's accounting profits this year, the Company has not recorded a tax charge due to the Company's significant carried forward tax losses in both the UK and the US. As at 31 March 2007 the Group's carried forward tax losses are estimated at £39m.

The Company has assessed that it is more likely than not, that £13m of these tax losses will be utilised in the foreseeable future, 30% of the total estimated losses. Consequently, it has recognised this year a deferred tax asset and a tax credit of £3.9m, being £13m times the effective tax rate of 30%.

It is possible in the longer term and therefore not yet foreseeable that the Company will be able to utilise more than £13m of its deferred tax losses.

5. Adoption of FRS 20

In preparing the financial statements for the current year, the Company has adopted "FRS 20 (IFRS 2) Share Based Payments".

The effect of this adoption has been a non-cash charge to this year's profits of £240,000 and an adjustment to last year's retained earnings of £93,000.

6. FRS 25

The Company continues to adopt "FRS 25 (IAS 32) Financial Instruments: Presentation". Therefore, we continue to recognise a liability in relation to the possible redemption of the Company's Convertible Redeemable Preference Shares and the non-cash interest charge related to this liability continues to be treated as an exceptional interest charge in the financial statements.

Notwithstanding the requirements related to FRS 25, it remains the Company's view that whilst possible, it is

unlikely, that the majority of the convertible redeemable preference shares will be redeemed as they are likely to be converted. In such a case the liability adopted under FRS 25 will be removed and replaced with the share capital relevant to the conversion.

Divisional Outlook

ContentFilm International – International Film Sales

Our International Film sales division performed well in FY07 and had the following highlights:

- "Thank You For Smoking" and "Black Book" were released throughout the world and achieved worldwide box office sales of \$46m and \$21m respectively;
- both films sold out in every major territory and generated significant sales commissions for the Company;
- filming has completed on several titles for release later this year, including Richard Attenborough's "Closing the Ring" and Peter Greenaway's "Nightwatching";
- "Mee Shee the Water Giant" was sold to The Works in the UK and is due for release later this year; and
- "The Flying Scotsman" has been sold to MGM for most of the world and has been released in the UK.

Taken as a whole, this is an exciting slate of films and the division is building an increasingly high profile as a major player throughout the world's film market. Consequently the division has been able to acquire further high profile films including:

- "Outpost" in post production and recently sold to Sony Worldwide Acquisition Group for North America and several other territories;
- "August" starring Josh Hartnett and David Bowie, which is currently in post production;
- "Keep Coming Back" starring Salma Hayek and directed by William H Macy; and
- "Splinter" directed by Toby Wilkins.

Our feature film library has expanded rapidly over recent years. Consequently we have recruited Toby Melling (previously Granada, Capitol and Pandora) as Head of Film Library Sales to spearhead a new feature film library department. We expect to build this library through both organic growth and library acquisition and it will form an integral part of our feature film sales division.

Fireworks International

Sales from our Fireworks library have continued to be very strong and have included:

- strong current year sales of £8m throughout the library;
- the recognition in FY07 of revenues relating to "Relic Hunter" (Sky in the UK), "Even Stevens" (BBC in the UK), "Blue Murder" (Hallmark in the UK);
- continued participations from the films we sub-distribute through Paramount;
- encouraging levels of ancillary revenues, including those related to music publishing and retransmission rights; and

CHAIRMAN'S STATEMENT (CONTINUED)

- significant recent sales throughout Europe which will be recognised in FY08.

Since we acquired the Fireworks library, the division has acquired well over 100 hours of new product and the highlights have included:

- "Whistler" and "The Jane Show" were acquired in FY06. Both series have been renewed for a second series in FY07 and will generate revenues throughout FY08;
- the award winning "Young Dracula" from the BBC was acquired in FY07. This series has also been renewed into a second series, has sold well in international territories and will generate revenues in FY08 and FY09;
- "Blood Ties" was our largest acquisition to date and has had very strong sales throughout the world. It will generate significant revenues and contribution to the group in our second half of FY08;
- our most recent large acquisition has been "Jpod", a new comedy drama based on the prize winning author Douglas Coupland's best seller of the same name, published throughout the world; and
- we have also acquired other library product, several television movies and are actively pursuing other library deals.

This new product combined with the large and valuable Fireworks library has consolidated our Fireworks division as being a leading independent television sales company.

Digital

During FY07 the Company established a digital division and recruited a highly experienced digital programming sales executive, Jonathan Ford, to head up the division.

We launched the division following the signing of a three year distribution agreement with a leading US based male youth oriented web-site, Heavy.com. This was part of a strategy to focus on acquiring and distributing content appropriate for multi-platform distribution (Broadband, Mobile, TV, Video on Demand).

As part of this strategy, we have recently acquired from Mondo Media, an additional digital content catalogue, the Mondo Mini Shows. We are currently in advanced negotiations to acquire other catalogues of multi-platform content.

The division has also been selling the existing catalogue of TV and Feature Films in areas such as video on demand and electronic sell through, together with exploiting these rights alongside traditional TV and home entertainment rights for new TV and Feature Film acquisitions.

Revenues across the whole range of our digital rights exploitation have been increasing since the launch of our new digital division. Revenues from the digital division are expected to increase appreciably in FY08 and ultimately,

we believe this area of our business will grow very significantly over the medium and longer term.

Allumination

Our initial challenge was to integrate the Allumination and UAV businesses, provide financial infrastructure and management support whilst revitalising revenues and profitability.

As these financial results illustrate we were successful in achieving these goals and other highlights have included:

- sales of our library assets have been pleasing, notably "Flight 93" and "Scamper the Penguin";
- new acquisitions have sold-in well, including "The Saddle Club" and "Judge Judy";
- execution of a successful special budget promotion with end-cap displays at Wal-Mart;
- successful move of the Company's distribution centre to a new facility in South Carolina with improved operating efficiencies;
- hired key new management in Sales (Michael McCleod), Acquisitions (Sam Toles) and International Sales (Melissa Wohl); and
- negotiated a new DVD replication deal with Sony DADC that included positive terms and financing.

We are now moving on to the second phase of our management agenda to grow the combined Allumination business including:

- expanding direct vendor relationships into other "big box" sell-through retailers in the U.S.;
- acquiring higher profile product for release later this year with a special emphasis on family and children's genres; and
- acquiring and/or out-sourcing staffing and support for other non-DVD distribution channels to enhance viability as a full-service, fully-integrated independent distributor of scale.

Conclusion

In last year's report I stated how we were optimistic in relation to our prospects for FY07 and that we expected to deliver significant growth and increased shareholder value throughout the year. As these results demonstrate we have achieved that goal.

With stable foundations now in place, we are moving on to building a more valuable company for the benefit of our shareholders. We look forward with every confidence in our future.

Alton Irby
Chairman

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2007.

Principal activity

The principal activity of the Group is the development, sales, financing, marketing and exploitation of entertainment based intellectual property rights, with particular emphasis on feature films, TV programming, digital rights exploitation and home entertainment distribution.

Review of business

There was a profit for the year after taxation of £5,385,000 (2006: loss of £3,543,000).

A review of the business and likely future developments is given in the Chairman's Statement on pages 7 to 10.

Dividends

The directors do not propose a final dividend (2006: nil). No interim dividend was paid during the year (2006: nil).

Directors

During the year the following resignations and appointments have been made:

Kerry McCluggage was appointed as a director on 1 September 2006

Ed Pressman resigned as a director on 7 November 2006

In accordance with the Company's articles of association, Huw Davies will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Substantial shareholdings

The Company has been notified of the following interests in 3% or more of its ordinary share capital at 30 June 2007.

	Number of ordinary shares of 1p each	% held
Syntek Capital AG	65,769,231	37.8
Jeff Sagansky	13,630,638	7.8
Kerry McCluggage	11,830,688	6.8
Richard Woolf	6,100,000	3.5

Key Performance indicators

The board considers the company's key performance indicators are:

- Normalised EBITDA before exceptionals and before interest, tax, depreciation, goodwill and intangible asset amortisation of £4.1m (2006: £1.1m) which it terms Normalised EBITDA
- A further cash value for EBITDA which is Normalised EBITDA before film, television and DVD product amortisation of £8.2m (2006: £4.7m)
- Normalised PBT being loss on ordinary activities before taxation, exceptionals and goodwill amortisation of £3.2m (2006: £0.1m)

Payments to creditors

It is the policy of the Group to negotiate payment terms with suppliers when entering into binding contracts. The Group seeks to abide by the payment terms agreed with suppliers when it is satisfied that the supplier has provided goods and services in accordance with the contractual arrangements. The Group does not follow a recognised standard or code which deals specifically with payments to suppliers. The number of days billings from suppliers outstanding at the year end was 75 days (2006: 114 days).

Financial instruments

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Company works closely with its bankers JP Morgan Chase Bank to monitor its main financial risks and where possible to mitigate those risks.

DIRECTORS' REPORT (CONTINUED)

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Principle risks and uncertainties

The principle risks and uncertainties of the Group are broadly grouped into business risks and financial risks:

Business risk management

Supplier risks

The Company closely monitors the availability of new film, television, digital and DVD product such that it can negotiate the acquisition of new product on acceptable terms to the Company.

Customer risks

The Company operates in a market that is subject to trends and fashions. The company closely monitors its markets to ensure ongoing levels of demand for the Company's film, television, digital and DVD products

Legal risks

The Company relies on intellectual property and copyright law in territories throughout the world and takes protective action in relation to its copyright and intellectual property rights where appropriate.

Financial risk management

Financial assets risks

The Group manages its cash balances so as to maximise the interest returns by placing them on short term deposit.

Interest rate risk

The Group finances its operations through a mixture of shareholders' funds and borrowings. At the year end, the Group had external borrowings with its principal banker, JP Morgan Chase Bank, as well as a number of finance leases. In April 2006 the Company entered into a fixed rate swap agreement whereby a \$10 million portion of its loan facility has a fixed interest rate for two years. The fair value of the swap arrangement at the year end was not materially different from the book value.

Liquidity risk

The Group's policy is, wherever possible, to obtain external project specific financing for significant commitments. The maturity of such financing is generally matched by the maturity of the related project revenues.

Foreign currency risk

A significant element of the Group's sales are to distributors and broadcasters throughout the world and are denominated in US dollars. The Group has no formal policy on the hedging of foreign currency risk in respect of these sales, but does take advice from its bankers and as appropriate, will use forward foreign exchange contracts to mitigate foreign currency risks. There were no outstanding forward contracts at year end and foreign exchange assets of the Group are generally matched by liabilities, including liabilities to third party participants.

Political and charitable contributions

During the year the Group made charitable contributions amounting to £578 (2006: £1,000). The Group made no political contributions during the year (2006: £nil).

DIRECTORS' REPORT (CONTINUED)

Auditors

Grant Thornton UK LLP offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985.

By order of the board

Geoffrey Webb

Secretary

19-21 Heddon Street
London
W1B 4BG

4 July 2007

CORPORATE GOVERNANCE

Statement by the directors on compliance with the Code of Best Practice

As an AIM listed company, ContentFilm plc is not required to comply with the provisions of the Combined Code that apply to companies with a full London Stock Exchange listing. However, the directors acknowledge the importance and value of good corporate governance procedures and accordingly have selected those elements of the Combined Code that they consider relevant and appropriate to the Company given its size, structure and stage of development. An overview of the Company's corporate governance procedures is given below.

The workings of the Board and its Committees

The composition of the Board changed during the year due to Kerry McCluggage's appointment in September 2006 and Ed Pressman's resignation in November 2006. Therefore, for most of the year the Board comprised two executive directors and three to four non-executive directors. This Board is responsible to shareholders for the proper management of the Company and the Group. The non-executive directors bring an independent viewpoint to the Group's activities and provide a strong balance to the executive directors. Each director is required to retire by rotation at least once in every three years under the Company's articles of association.

As far as is possible, matters are discussed and decided by the Board as a whole. The Board has, however, delegated authority to committees in three specific areas which are discussed below

- The Audit Committee throughout the year comprised Sam Humphreys, who chairs the committee, Alton Irby and Huw Davies. The Audit Committee meets at least twice per year reviewing a wide range of financial matters (including the annual and half-year results, statements and accompanying reports) before their submission to the Board, and monitoring the controls which are in force to ensure the integrity of the financial information reported to the shareholders. The Audit Committee also advises the Board on the appointment of external auditors and on their remuneration both for audit and non-audit services.
- The Remuneration Committee throughout the year comprised Huw Davies, who chairs the committee, Alton Irby and Sam Humphreys. The Committee meets at least twice per year and it has the responsibility for determining the remuneration, contract terms and other benefits for executive directors, including performance related bonus schemes.
- The Company announced on March 15 2007 that it had established a Special Committee of its Board of Directors, made up of its non-executive chairman Alton Irby and non-executive director Huw Davies, to retain and seek advice from advisers in connection with the Company's strategic alternatives related to the fact it had been informed by the Company's largest shareholder that it wished to sell its stake in an orderly and timely manner.

In addition the Board appoints various sub-committees to approve significant executive decisions.

Internal control

The Board is ultimately responsible for the Group's system of internal control and for monitoring its effectiveness.

The Group has a comprehensive process of annual budget preparation, detailed monthly reporting and detailed regular re-forecasting. The annual budget is prepared by the executive directors and management and the Board approves it as part of its normal responsibilities. In addition, the budget figures are reforecast regularly to facilitate the Board's understanding of the development of the Group's overall position through the year and this re-forecasting is reported to the Board in addition to the monthly reporting of actual results.

The Group's overall controls and procedures are regularly reviewed which will continue as part of an ongoing process. The objective of these reviews is to ensure that the Company has a robust framework that manages the risks in the business and can provide reasonable, but not absolute, assurance against material loss or misstatement. The Board has reviewed the need to set up an internal audit function but has concluded that the size and nature of the Group's operations do not warrant such a function at present. The Board will continue to review this position.

BOARD REMUNERATION REPORT

Remuneration policy

The remuneration policy of the Group is to seek to ensure that Executive Directors are fairly rewarded for their contribution to the Group. This policy is achieved through a remuneration package which includes a salary, benefits in kind, share options, incentive plans and bonuses for certain directors, as described below::

Salary

The individual salaries of directors are reviewed regularly in line with the terms of each employment contract and adjusted by reference to individual and Group performance and market factors.

Benefits in kind

All executive directors receive medical insurance.

Bonuses

John Schmidt is entitled to receive an annual bonus of 5% based on Group earnings before interest, taxes and non-cash deductions including goodwill amortisation and equity settled share based payments. The maximum amount payable is £250,000.

Share option scheme

The remuneration committee approved three share option plans in 2004. These are The ContentFilm plc 2004 Approved Share Option Plan, The ContentFilm plc 2004 Unapproved Executive Share Option Plan and The ContentFilm plc 2004 US Incentive Stock Option sub-plan. Details of the schemes are set out in note 23 to the financial statements. Where the total outstanding exercise price of options granted exceed four times a director's annual remuneration, those options in excess of this level are subject to performance criteria.

Service contracts

John Schmidt has a service contract with the Group which may be terminated by either party by serving twelve months' notice. Kerry McCluggage has a two year service agreement that expires on September 1 2008.

Remuneration policy for non-executive directors

Remuneration for non-executive directors consists of fees for their services. Their fees are determined by the Board and reviewed annually. There is an arrangement in place which allows for some of the non-executive directors to be paid in ordinary shares. This is at the discretion of the Board. Non-executive directors are not eligible for pension fund membership and do not participate in any share option schemes or bonus arrangements.

Details of the emoluments of the directors are set out in note 7 to the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 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 Group will continue in business.

In so far as the Directors are aware;

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The maintenance and integrity of the ContentFilm plc website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CONTENTFILM PLC



We have audited the group and parent company financial statements (the "financial statements") of ContentFilm Plc for the year ended 31 March 2007 which comprise the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement, reconciliation of net cash flow to movement in net debt, reconciliation of movement in shareholders funds and notes 1 to 31. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CONTENTFILM PLC (CONTINUED)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2007 and of the group's profit for the year 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.

GRANT THORNTON UK LLP

REGISTERED AUDITORS

CHARTERED ACCOUNTANTS

LONDON

4th July 2007

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

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

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2007

	Note	2007 Total £000	2006 Total £000 (restated)
Turnover			
Continuing operations		12,814	10,684
Acquisitions		8,212	-
Total Turnover	2	21,026	10,684
Cost of sales			
Continuing operations		(5,668)	(5,344)
Acquisitions		(4,507)	-
Gross profit		10,851	5,340
Net operating expenses	3	(7,821)	(6,140)
Operating profit/(loss)			
Continuing operations		1,676	(800)
Acquisitions		1,354	-
Total operating profit/(loss)		3,030	(800)
Net interest payable	9	(906)	(972)
Net interest payable -exceptional	4,9	(639)	(1,771)
Profit/(loss) on ordinary activities before taxation		1,485	(3,543)
Tax on profit on ordinary activities	10	3,900	-
Profit/(loss) for the financial year	25	5,385	(3,543)
Basic earnings per ordinary share	12	3.3p	(2.9p)
Diluted earnings per share	12	2.3p	(2.9p)

Movements in reserves are given in note 25.

The notes on pages 24 to 55 form part of these financial statements.

There is no difference between the results as disclosed above and those stated on an historical cost basis.

There were no recognised gains or losses other than the loss for the year.

GROUP BALANCE SHEET

at 31 March 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Intangible assets					
Goodwill	13		14,936		11,506
Tangible assets	14		277		75
Investments	15		-		1
Current assets			15,213		11,582
Stocks	16	8,785		9,649	
Debtors greater than one year	17a	2,700		4,097	
Debtors less than one year	17b	7,672		-	
Investments	18	2		2	
Cash at bank and in hand	19	1,646		1,637	
			20,805	15,385	
Creditors: amounts falling due within one year	20	(15,425)		(6,738)	
Net current assets			5,380		8,647
Total assets less current liabilities			20,593		20,229
Creditors: amounts falling due after more than one year					
Other creditors	21	(2,332)		(10,254)	
Shares classed as financial liabilities due after more than one year	21	(7,721)		(7,104)	
			(10,053)		(17,358)
Net assets			10,540		2,871
Capital and reserves					
Called up share capital	23		4,275		4,032
Share premium account	25		37,376		35,564
Convertible shares	23		3,101		3,111
Merger reserve	25		432		506
Warrant reserve	25		61		61
Profit and loss account	25		(34,705)		(40,403)
			10,540		2,871

The notes on pages 24 to 55 form part of these financial statements.

These financial statements were approved by the board of directors on 4 July 2007 and were signed on its behalf by:

Alton Irby, Director

COMPANY BALANCE SHEET

at 31 March 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	14		30		25
Investments	15		20,503		11,825
			20,533		11,850
Current assets					
Debtors	17a	165		198	
Investments	18	2		2	
Cash at bank and in hand	19	41		22	
		208		222	
Creditors: amounts falling due within one year	20	(9,936)		(828)	
Net current liabilities			(9,728)		(606)
Total assets less current liabilities			10,805		11,244
Creditors: amounts falling due after more than one year					
Other creditors	21	-		(8,548)	
Shares classed as financial liabilities falling due after more than one year	21	(7,721)		(7,104)	
			(7,721)		(15,652)
Net assets			3,084		(4,408)
Capital and reserves					
Called up share capital	23		4,275		4,032
Share premium account	25		37,376		35,564
Convertible shares	23		3,101		3,111
Warrant reserve	25		61		61
Profit and loss account	25		(41,729)		(47,176)
			3,084		(4,408)

The notes on pages 24 to 55 form part of these financial statements.

These financial statements were approved by the board of directors on 4 July 2007 and were signed on its behalf by:

Alton Irby,
Director

GROUP CASH FLOW STATEMENT

for the year ended 31 March 2007

	Note	2007	2006
		£000	£000
Net cash inflow from operating activities	28(a)	4,000	6,565
Returns on investments and servicing of finance	28(b)	(906)	(972)
Capital expenditure and financial investment	28(c)	(210)	(18)
Acquisitions and disposals	28(f)	(3,569)	(10,469)
Net cash outflow before use of liquid resources and financing		(685)	(4,894)
Management of liquid resources	28(d)	67	64
Financing	28(e)	694	(5,904)
Increase /(decrease) in cash in the year		76	(10,734)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

for the year ended 31 March 2007

	Note	2007	2006
		£000	£000
Increase/(decrease) in cash in the year		76	(10,734)
Cash (inflow)/outflow from increase in debt		(694)	7,835
Cash inflow from decrease in liquid resources		(67)	(64)
Changes in net debt resulting from cash flows		(685)	(2,963)
Non cash flow arising on convertible debt		(617)	(7,104)
Movement in net debt in the year		(1,302)	(10,067)
Net debt at beginning of year	29	(16,016)	(5,949)
Net debt at end of year	29	(17,318)	(16,016)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the year ended 31 March 2007

	Group	Company	Group	Company
	2007	2007	2006	2006
	£000	£000	£000	£000
			(restated)	
Shareholder funds at 1 April 2006 as previously reported	2,871	(4,408)	6,321	3,908
Prior year adjustment				
FRS 20 charge	(93)	-	-	-
Reserve re-allocation	93	-	-	-
Shareholder funds at 1 April 2006 restated	2,871	(4,408)	6,321	3,908
Profit/(loss) for the year	5,385	5,448	(3,543)	(8,316)
Share issue (net of expenses)	2,033	2,033	-	-
Share issue expenses	(11)	(11)	-	-
Preference share conversion	31	31	-	-
Equity element of convertible shares	(9)	(9)	-	-
Equity settled share based payment re-allocation	240	-	93	-
Closing shareholders' funds	10,540	3,084	2,871	(4,408)

NOTES (FORMING PART OF THE FINANCIAL STATEMENTS)

I Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these financial statements, except as noted below.

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards, under the historical cost accounting rules and in accordance with the Companies Act 1985. The policies have remained unchanged from the previous year apart from the adoption of FRS20 (IFRS2) 'Share Based Payments'. This change is described in more detail below.

Change in accounting policy

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standard: "FRS20 (IFRS2) Share Based Payment".

As a change in accounting policy resulting from the application of FRS 20 a prior year adjustment is reflected in these financial statements. Refer to Note 24 for further detail.

FRS20 Share Based Payment

All share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2006 are recognised in the financial statements.

- All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).
- All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to profit and loss reserves.
- If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.
- Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Basis of consolidation

The Group financial statements consolidate the results of ContentFilm plc and all of its subsidiary undertakings up to 31 March 2007. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the Group profit and loss account from the date of acquisition or up to the date of disposal. All intra-Group transactions and balances are eliminated on consolidation.

In accordance with section 230(4) of the Companies Act 1985 ContentFilm plc is exempt from the requirement to present its own profit and loss account.

Investments

Investments in subsidiaries are stated at cost less provisions for impairment losses. Where the consideration for the acquisition of a subsidiary undertaking includes shares in the company to which the provisions of Sections 131 and 133 of the Companies Act 1985 apply (merger relief), cost represents the nominal value of the shares issued together with the fair value of any additional consideration given and costs. In the Group balance sheet the excess of the fair value of the shares issued as consideration over their nominal value (merger relief) is credited to a merger reserve. The merger reserve is released to the profit and loss reserve over the period of amortisation of the related positive goodwill arising on consolidation.

Other fixed asset investments are carried at cost less provisions for impairment losses. Current asset investments are carried at the lower of cost and net realisable value.

NOTES (CONTINUED)

I Accounting policies (continued)

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost, less the estimated residual value, of tangible fixed assets on a straight line basis at annual rates appropriate to the estimated useful economic lives of the fixed assets as follows:

Fixtures, fittings and equipment	10% - 50%
Computer equipment	33 ¹ / ₃ %
Motor vehicles	25% - 33 ¹ / ₃ %

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised and amortised to nil by equal annual instalments over its estimated useful life. Useful economic lives are based on factors such as the market in which the business operates, the rate of change in the business environment or market, the reputation of the business, its past performance and its future prospects.

On the subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging/(crediting) the unamortised amount of any related goodwill.

Stocks

Stock is stated at the lower of cost and net realisable value.

In determining the cost of film and television project stock, cost is taken as direct costs incurred for the production, or costs associated with the acquisition of rights, for individual film and television projects, less any foreseeable losses. Where the Group acts fundamentally in the management of an individual film or TV production, attributable overhead is also included in the cost of film stock. Film and television project stock is appraised at each balance sheet date on a project by project basis and is amortised over a maximum amortisation period of ten years. In respect of the maximum amortisation period of ten years and the resultant carrying value at each balance sheet date due regard is given to the requirement for current assets to be held at the lower of cost and net realisable value. Net realisable value is calculated on a project by project basis having regard to the present value of estimated future sales less further costs of completion and unrecoverable sales expenses.

Cash and liquid resources

For the purposes of the Group cash flow statement cash comprises cash in hand and on deposit. Liquid resources comprise cash on deposit which is not readily available for the general purposes of the Group.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

The Group has taken advantage of the exemption available in Financial Reporting Standard 13 "Derivatives and Other Financial Instruments" to exclude short term debtors and creditors from the disclosures of financial assets and liabilities with the exception of foreign exchange financial instruments. The Group uses financial instruments, primarily to manage exposures to fluctuations in foreign currency exchange rates and interest rates. Discounts and premiums are charged or credited to the profit and loss account over the life of the asset or liability to which they relate. Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

NOTES (CONTINUED)

I Accounting policies (continued)

Income recognition

Income from the exploitation of film and television rights is recognised based upon the contractual terms of each agreement. Income is recognised on a receivable basis where there is reasonable contractual certainty that the revenue is receivable and will be received. In circumstances where the income is dependent on the fulfilment of further contractual obligations, income is recognised when the Group has performed the obligations necessary under the contract to fulfil those contractual obligations.

In respect of the supply of DVD, video and audio stocks, income is recognised at the point at which goods are despatched and recorded net of sales returns.

Sales expenses

Direct costs contractually rechargeable to the licensor are included in the balance sheet within Other Debtors and are recovered from the licensor's income collected by the Group as sales agent on behalf of the licensor in relation to film and television distribution and broadcast rights. Provision is made against these direct costs when their recoverability is considered doubtful.

Currency translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, and the assets of overseas operations, are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leasing

Rentals payable in respect of operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Assets acquired under finance leases and similar hire purchase contracts are capitalised at their fair value. The capital element of lease rentals is included in creditors and the interest element is charged to the profit and loss account over the period of the contract.

Pensions

The Group contributes to a funded defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in the year.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using rates of tax rates that have been enacted or substantively enacted at the balance sheet date.

NOTES (CONTINUED)

2 Turnover and segmental information

Turnover, which excludes value added tax and transactions between Group companies, represents the sale of film and television distribution rights, sales agency commission on the sale of film and television distribution rights on behalf of third party producers, licence fee income and amounts derived from the provision of services.

The Group's headquarters is based in the United Kingdom and its activities form a single class of business, namely the creation, development and exploitation of entertainment based intellectual property rights. Outside the United Kingdom, sales are generally denominated in US dollars.

An analysis of turnover by geographical destination is as follows:	2007	2006
	£000	£000
United Kingdom	3,159	1,535
Rest of Europe	6,617	3,052
Americas	9,657	4,520
Rest of World	1,593	1,577
	21,026	10,684

An analysis of turnover by market sector is as follows :	2007	2006
	£000	£000
US Distribution	8,212	-
Film Production	2,511	1,405
International Sales	9,921	8,632
UK Distribution	231	569
Licensing and merchandising	104	48
Unallocated	47	30
	21,026	10,684

Profit/(loss) before taxation by location is as follows :	2007	2006
	£000	£000 (restated)
United Kingdom	(7,157)	(9,087)
Rest of Europe	6,566	4,520
Americas	534	(553)
Rest of World	1,542	1,577
	1,485	(3,543)

NOTES (CONTINUED)

2 Turnover and segmental information (continued)

Profit/(loss) before taxation by market sector is as follows :	2007	2006
	£000	£000 (restated)
Film Production	479	(247)
International Sales	4,401	4,053
UK Distribution	145	56
US Distribution	1,354	-
Licensing and merchandising	104	(92)
Corporate - unallocated	(4,998)	(7,313)
	1,485	(3,543)

Net assets by location	2007	2006
	£000	£000
United Kingdom	5,681	2,441
United States of America	4,859	430
	10,540	2,871

Net assets/(liabilities) by market sector is as follows :	2007	2006
	£000	£000
Film Production	147	430
International Sales	6,982	6,923
UK Distribution	8	(37)
US Distribution	4,712	-
Licensing and merchandising	324	373
Corporate - unallocated	(1,633)	(4,818)
	10,540	2,871

3 Operating expenses

	2007	2006
	£000	£000 (restated)
Sales and marketing expenses	3,063	1,271
Administrative expenses	4,758	3,776
Exceptional items (see note 4)	-	1,093
	7,821	6,140

NOTES (CONTINUED)

4 Exceptional items

	2007	2006
	£000	£000
Net operating expenses		
Production division spin off	-	455
UK theatrical distribution withdrawal	-	50
Other corporate restructuring costs	-	117
Professional fees related to the acquisition of Fireworks	-	471
	-	1,093
Net interest payable		
Bank fees and other financing costs related to the acquisition of Fireworks	-	1,184
Interest on shares classed as financial liability	639	587
	639	1,771
	639	2,864

In the current and prior years, the company recognised an exceptional charge related to the adoption of FRS25. The interest on shares is classed as a financial liability.

The prior year exceptional costs related to the restructuring of the film production and theatrical UK distribution operation. The company also acquired the Fireworks library in 2006 giving rise to exceptional acquisition costs related to professional fees and financing costs. The financing costs relating to the Fireworks acquisition were originally capitalised for amortisation over the period of the financing. Subsequently the Company refinanced itself during the year meaning that all costs attributable to the Fireworks financing were expensed during 2006. All of the exceptional items were cash items with the exception of the interest on shares classed as financial liability.

5 Loss on ordinary activities before taxation

	2007	2006
	£000	£000 (restated)
Loss on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets		
Owned	55	38
Leased	-	3
Profit on Disposal of fixed assets	-	9
Amortisation of goodwill	875	713
Amortisation of stock	4,279	3,649
Exchange loss	(121)	171
Operating lease rentals		
Other	211	226
Auditors' remuneration		
Audit fees – Existing Auditors	84	73
Audit fees – Previous Auditors	-	(50)
Non Audit remuneration		
Tax services	16	18
Other services	15	121
Equity settled share base payments	240	93

NOTES (CONTINUED)

5 Loss on ordinary activities before taxation (continued)

Non audit related fees of £31,000 (2006: £128,000) were paid to the auditors for other services, £16,000 of which related to Tax compliance services and £15,000 for advisory services in relation to the acquisition of Allumination FilmWorks LLC. Audit fees for the parent company amounted to £4,500 (2006: £4,500).

Prior Year Adjustment:

As disclosed in the accounting policies section, a new accounting standard FRS 20 (IFRS 2) 'Share based payments' was adopted in the year. The financial effect of this has been analysed below.

FRS 20 has been adopted for the first time during the current year. FRS 20 has been applied retrospectively to all equity instruments granted after 1 April 2003 that were unvested as of 1 April 2007.

For the year ended 31 March 2006 the change in accounting policy has resulted in a net increase in the loss for the year of £93,000. The balance sheet at 31 March 2006 has been restated to reflect the recognition of a share options reserve of £93,000.

For the year ended 31 March 2007 the change in accounting policy has resulted in a charge to the profit and loss account of £240,000. At 31 March 2007 the share options reserve amounted to £333,000 and is treated as part of the profit and loss reserves.

6 Profit for the financial year

The profit dealt with in the individual accounts of ContentFilm plc was £5,448,000 (2006: loss of £8,316,000). In accordance with section 230(4) of the Companies Act 1985 ContentFilm plc is exempt from the requirement to present its own profit and loss account.

7 Aggregate directors' emoluments

The emoluments of the directors of the Company were :

	2007	2007	2007	2007	2006	2007	2006	2007	2006
	Fees / Salary	Benefits	Bonus	Subtotal	Subtotal	Pension	Pension	Total	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
E Pressman	22	-	-	22	211	-	-	22	211
J Schmidt	234	14	218	466	288	-	-	466	288
K McCluggage	90	4	-	94	-	-	-	97	-
R Payne	-	-	-	-	1	-	2	-	3
H Davies	25	-	-	25	25	-	-	25	25
A Irby	50	-	-	50	50	-	-	50	50
S Humphreys	25	-	-	25	25	-	-	25	25
T Styler	-	-	-	-	5	-	-	-	5
	446	18	218	682	605	-	2	682	607

NOTES (CONTINUED)

8 Staff numbers and costs

The average number of persons employed by the Group (including Executive Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2007	2006
Sales and marketing	34	15
Operations and production	20	3
Administration	26	10
	80	28

The aggregate payroll costs of these persons were as follows:

	2007	2006
	£000	£000
Wages and salaries	3,875	2,330
Social security costs	183	187
Other pension costs	61	43
	4,119	2,560

9 Net interest (payable) / receivable

	2007	2006
	£000	£000
Bank interest payable	(918)	(1,003)
Finance lease interest payable	(63)	(70)
Other interest payable	(11)	(5)
Exceptional Interest - on financial instruments	(639)	(587)
Bank Fees and other financing costs	-	(1,184)
	(1,631)	(2,849)
Bank interest receivable	86	106
Net interest payable	(1,545)	(2,743)

NOTES (CONTINUED)

10 Tax on profit/(loss) on ordinary activities

	2007	2006
	£000	£000
UK corporation tax		-
Current tax on income for the year	-	-
Adjustments in respect of prior years	-	-
Total current tax	-	-
Adjustment to estimated recoverable amount of deferred tax assets (see note 11)	3,900	-
Total Credit on ordinary activities	3,900	-

Factors affecting the tax credit for the current period

The current tax credit for the year is lower (2006: lower) than the standard rate of corporation tax in the UK 30% (2006: 30%). The differences are explained below:

	2007	2006
	£000	£000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	1,485	(3,450)
Current tax at 30% (2006: 30%)	446	(1,035)
Effects of:		
Expenses not deductible for tax purposes	532	250
Expenses not deductible due to short term timing differences	72	-
Depreciation in excess of capital allowances for year	-	(18)
Tax losses carried forward	-	832
Utilisation of tax losses	(1,050)	(29)
Deferred taxation (see note 11)	(3,900)	-
Total current tax credit (see above)	(3,900)	-

Factors that may affect future tax charges

The Group has estimated unutilised tax losses of £39m (2006: £34m) carried forward for relief against future suitable taxable profits and for which a deferred tax asset has been recognised on £13m (2006: £Nil). The Group tax losses this year include US brought forward unutilised losses which were not included in the prior year Group tax loss position.

NOTES (CONTINUED)

II Deferred Taxation

Group	2007	2006
	£000	£000
Tax losses	3,900	-
Movement during the year		
Brought forward at 1 April	-	-
Deferred taxation recognised- less than one year	1,200	-
Deferred taxation recognised- greater than one year	2,700	-
Deferred taxation asset (note 17a, 17b)	(3,900)	-

Deferred taxation assets estimated at £7.8m (2006: £10.2m) have not been recognised at the year end.

I2 Earnings per ordinary share

Basic earnings per ordinary share has been calculated by dividing the profit for the financial year of £5,385,000 (2006: loss of £3,543,000) by the weighted average number of ordinary shares in issue during the year of 163,170,413 (2006:122,469,522). Diluted earnings per share has been calculated by dividing the diluted profit for the year of £4,746,000 (profit for the financial year of £5,385,000 less interest on shares classed as a financial liability of £639,000) by the fully diluted shares of 205,846,155 as detailed below. No diluted earnings per share have been presented for the year ended 31 March 2006 as the share options and convertible redeemable preference shares were anti-dilutive.

An alternative calculation of earnings per share, normalised earnings per share is provided using the Company's key performance indicator of Normalised PBT. Under this calculation method, the basic normalised earnings per share is 2.0p and the normalised fully diluted earnings per share is 1.6p. The reconciliation between the Profit/loss for the financial year and Normalised PBT is as follows:

	2007		2006	
	£000	P	£000	P
Profit/(loss) for the financial year	5,385	3.3	(3,543)	(2.9)
Amortisation of goodwill	875	0.5	713	0.5
Equity settled share based payment	240	0.2	93	0.0
Interest on shares classed as financial liability	639	0.4	587	0.5
Other exceptional items	-	-	2,277	1.8
Tax credit on profit on ordinary activities	(3,900)	(2.4)	-	-
Normalised PBT	3,239	2.0	127	0.1

NOTES (CONTINUED)

12 Earnings per ordinary share (continued)

The reconciliation between the weighted average number of ordinary shares and the fully diluted number of shares utilised in the normalised fully diluted earnings per share calculation is as follows:

	2007	2006
	'000	'000
Weighted average number of ordinary shares in issue during the year	163,170	122,470
Weighted average number of convertible redeemable preference shares	34,908	34,961
Dilutive effect of outstanding share options at average market price	7,768	1,055
Fully diluted shares	205,846	158,486

13 Intangible assets

Group	Goodwill
	£000
Gross book value	
At beginning of year	13,121
Goodwill upon acquisition	4,305
	17,426
Amortisation	
At beginning of year	1,615
Charge for year	875
At end of year	2,490
Net book value	
At 31 March 2007	14,936
At 31 March 2006	11,506

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The goodwill in respect of The Feature Film Company Limited is being amortised over 10 years (4 years remaining), the goodwill in respect of Cobalt Media is being amortised over 10 years (6 years remaining), the goodwill relating to ContentFilm Inc is being amortised over 20 years (17 years remaining) and the goodwill in respect of ContentCo Acquisition Limited LLC and Allumination FilmWorks LLC is being amortised over 20 years (19 years remaining).

NOTES (CONTINUED)

14 Tangible fixed assets

Group

	Fixtures, fittings, Computer and Other equipment	Motor Vehicles	Total
	£000	£000	£000
<i>Cost</i>			
At beginning of year	664	26	690
Additions	257	-	257
At end of year	921	26	947
<i>Depreciation</i>			
At beginning of year	589	26	615
Charge for year	55	-	55
At end of year	644	26	670
<i>Net book value</i>			
At 31 March 2007	277	-	277
At 31 March 2006	75	-	75

Included within motor vehicles are assets held under finance lease agreements with a net book value of £nil (2006: £nil). Depreciation charged in the year on these assets totalled £nil (2006: £3,000).

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Company

	Fixtures, fittings, Computer and Other equipment	Motor Vehicles	Total
	£000	£000	£000
<i>Cost</i>			
At beginning of year	569	26	595
Additions	21	-	21
At end of year	590	26	616
<i>Depreciation</i>			
At beginning of year	544	26	570
Charge for year	16	-	16
At end of year	560	26	586
<i>Net book value</i>			
At 31 March 2007	30	-	30
At 31 March 2006	25	-	25

Included within motor vehicles are assets held under finance lease agreements with a net book value of £nil (2006: £nil). Depreciation charged in the year on these assets totalled £nil (2006: £3,000).

NOTES (CONTINUED)

15 Investments

Group

	Quoted Investments
	£000
<i>Cost</i>	
At beginning and end of year	153
<i>Provisions</i>	
At beginning of year	152
Movement in the year	1
At end of year	153
<i>Net book value</i>	
At 31 March 2007	-
At 31 March 2006	1

Company

	Shares in Subsidiary undertakings	Loans to Subsidiary undertakings	Quoted Investments	Total
	£000	£000	£000	£000
<i>Cost</i>				
At beginning of year	10,631	40,116	153	50,900
Additions	2,011	9,422	-	11,433
At end of year	12,642	49,538	153	62,333
<i>Provisions</i>				
At beginning of year	337	38,586	152	39,075
Charge for year	-	2,754	1	2,755
At end of year	337	41,340	153	41,830
<i>Net book value</i>				
At 31 March 2007	12,305	8,198	-	20,503
At 31 March 2006	10,294	1,530	1	11,825

NOTES (CONTINUED)

15 Investments (continued)

Details of the principal subsidiary undertakings, all of which are owned directly by the Company, incorporated in Great Britain, operate in the United Kingdom and are included in the consolidation (except as noted), are set out below:

Name of company	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
Owned directly by ContentFilm plc			
ContentFilm International Limited	Ordinary £1 shares	100%	Film and television sales
ContentFilm Productions Limited	Ordinary £1 shares	100%	Licensing and marketing of entertainment based intellectual property rights
ContentFilm Pictures Limited	Ordinary 50p shares	100%	Writing, development and production of feature films and television programmes
ContentFilm Music Limited	Ordinary £1 shares	100%	Music publishing
ContentFilm (The Sea Change) Limited	Ordinary £1 shares	100%	Production of live action feature film entitled "The Sea Change"
ContentFilm (Rainbow) Limited	Ordinary £1 shares	100%	Exploitation of rights to feature films
ContentFilm Jellabies Limited	Ordinary £1 shares	100%	Production of television series entitled "Jellabies"
ContentFilm (Muggers) Limited	Ordinary £1 shares	100%	Production of live action feature film entitled "Muggers"
ContentFilm Heartbreakers Limited	Ordinary £1 shares	100%	Ownership of rights in live action feature film entitled "Heartbreakers"
ContentFilm UK Distribution Limited	Ordinary £1 shares	100%	Film distribution
ContentFilm Beep Limited	Ordinary £1 shares	100%	Production of television series entitled "The Wheels on the Bus"
ContentFilm Wheels Limited	Ordinary £1 shares	100%	Recording and distribution of music
The Feature Film Company Limited	Ordinary £1 shares	100%	Film distribution
Cobalt Media Capital Limited.	Ordinary £1 shares	100%	International film distribution
Winchester Films Inc*	Ordinary \$1 shares	100%	Research and development services for US studio films
Content film Inc*	Ordinary \$1 shares	100%	Film production
Allumination FilmWorks LLC*	Ordinary \$1 shares	100%	Home entertainment company and film and television sales
Owned through Content Film International			
Fireworks Acquisitions Limited	Ordinary \$1 shares	100%	Film and television sales

NOTES (CONTINUED)

15 Investments (continued)

Name of company	Description of shares held	Proportion of nominal value of issued shares held	Principal activity
Owned through Content Film Inc.			
Content International Film and TV Limited	Ordinary £1 shares	100%	Film sales agency
Cooler Productions, LLC (Delaware)*	Ordinary £1 shares	100%	Film production for "The Cooler"
Tool Time LLC (New York)*	Ordinary \$1 shares	99.999%	Film production company for "The Hebrew Hammer"
Never Die Productions, LLC (California)*	Ordinary \$1 shares	100%	Film production company for "Never Die Alone"
O.K. Corrales, LLC (New York)*	Ordinary \$1 shares	100%	Film production company for "Undertow"
Big Boss, LLC (New York)*	Ordinary \$1 shares	99.999%	Film production company for "Rick"
The Guys Film Company Inc. (New York)*	Ordinary \$1 shares	100%	Film production company for "The Guys"
Corpus LLC	Ordinary \$1 shares	100%	Film production company for "The King"
ContentCo Acquisition Company LLC*	Ordinary \$1 shares	100%	Home entertainment company
* Incorporated and operates in the United States of America			

16 Stock

	Group	Group
	2007	2006
	£000	£000
Completed film and television project stock	7,561	9,649
US DVD Stock	1,224	-
	8,785	9,649

Included in completed film television project inventory are assets held under finance lease arrangements with a net book value of £386,000 (2006: £449,000).

NOTES (CONTINUED)

17(a) Debtors: less than one year

	Group	Company	Group	Company
	2007	2007	2006	2006
	£000	£000	£000	£000
Trade debtors	5,358	-	3,173	-
Other debtors	884	146	800	172
Prepayments and accrued income	230	19	124	26
Deferred taxation	1,200	-	-	-
	7,672	165	4,097	198

The recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities. The Group expects to realise chargeable gains against which the carried forward loss can be offset.

Included in the above for the Group is the following amount which is due after more than one year:

17(b) Debtors: greater than one year

	Group	Company	Group	Company
	2006	2006	2006	2006
	£000	£000	£000	£000
Deferred taxation	2,700	-	-	-

18 Current asset investments

	Group	Company	Group	Company
	2007	2007	2006	2006
	£000	£000	£000	£000
UK unlisted investments	2	2	2	2

19 Cash

	Group	Company	Group	Company
	2007	2007	2006	2006
	£000	£000	£000	£000
Cash at bank and in hand	1,646	41	1,637	22

Cash at bank and in hand includes £1,531,000 (2006: £1,599,000) held in a trust account from the sale and leaseback of certain of the Group's television rights. The cash is not available for any purposes other than repayment of the corresponding lease creditor.

NOTES (CONTINUED)

20 Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2007	2007	2006	2006
	£000	£000	£000	£000
Bank loan	9,437	9,437	-	-
Trade creditors	1,945	137	1,044	230
Other taxation and social security	165	165	444	413
Other creditors	436	40	811	15
Accruals and deferred income	3,341	157	4,352	170
Obligations under finance leases (see note 21)	101	-	87	-
	15,425	9,936	6,738	828

21 Creditors: amounts falling due after more than one year

	Group	Company	Group	Company
	2007	2007	2006	2006
	£000	£000	£000	£000
Bank loan	-	-	8,548	8,548
Obligations under finance leases	1,605	-	1,706	-
Other long term creditors	727	-	-	-
	2,332	-	10,254	8,548
Shares classed as financial liabilities				
Share capital	1,743	1,743	1,748	1,748
Share premium	5,978	5,978	5,356	5,356
	7,721	7,721	7,104	7,104

The Loan relates to an agreement dated 26 March 2004 (the agreement) between ContentFilm Inc. and ContentFilm plc (as Borrowers) and JPMorgan Chase Bank (as Administrative Agent and as Issuing Bank) and JP Morgan Europe Limited (as Sterling Agent) as amended and restated as of 20 July 2005 among ContentFilm Inc., ContentFilm plc and Fireworks Acquisition Limited and further amended and restated as of 1 March 2006 among ContentFilm Inc. and ContentFilm plc. The loan as at 31 March 2007 was £9,537,000 (2006: £8,757,000) and the group had issue costs which are offset against proceeds relating to the loan facility of £100,000 (2006: £209,000). In accordance with accounting standards the loan is shown net of the issue costs in the financial statements.

Under the original agreement a \$20,000,000 three year secured revolving credit facility was originally made available to the Group. Under the amended and restated agreement dated 1 March 2006 the loan facility was \$20,000,000 and was available until 19 July 2007.

Since that amendment and restatement two further amendments have been made. Firstly, on September 1 2006 the loan facility was extended to \$25,000,000. Secondly, on 29 June 2007, the maturity date on the loan was extended to January 18 2008. The effect of the existing maturity date is that the Company loan is termed short term in these financial statements. The Company expects to shortly negotiate a new long term loan facility with the existing bankers.

The Loan has been guaranteed by the Group and its subsidiaries listed in note 15 (excluding Content International Film and TV Limited).

NOTES (CONTINUED)

21 Creditors: amounts falling due after more than one year (continued)

The Group has also provided a Security Interest to the Administrative Agent for the term of the Loan in respect of the Group's collateral, including the right, title and interest in all of the Group's personal property, tangible and intangible, wherever located or situated and whether now owned, presently existing or hereafter acquired or created.

The interest rate on the Loan depends on, among other matters, the term of the loan but approximates to the LIBOR publicly announced by the Administrative Agent plus three and one half per cent.

The shares classed as financial liabilities relates to the adoption of FRS25 which is discussed further in note 22.

Obligations under finance leases fall due for repayment as follows:

	Group	Company	Group	Company
	2007	2007	2006	2006
	£000	£000	£000	£000
Within one year	101	-	87	-
Within one to two years	115	-	101	-
Within two to five years	436	-	390	-
More than five years	1,054	-	1,215	-
	1,706	-	1,793	-

As described in notes 19 and 29, cash of £1,531,000 (2006: £1,599,000) is held in trust accounts securing finance lease creditors of £1,706,000. £1,706,000 is repayable in increasing annual instalments to April 2016, and has an effective interest rate of 3.8% per annum. The remaining finance leases are secured on the assets to which they relate.

Obligations under bank loans and liability element of convertible redeemable preference shares fall due for repayment as follows::

	Group	Company	Group	Company
	2007	2007	2006	2006
	£000	£000	£000	£000
Within one year	9,437	9,437	-	-
Within one to two years	-	-	8,548	8,548
Within two to five years	7,721	7,721	7,104	7,104
	17,158	17,158	15,652	15,652

NOTES (CONTINUED)

22 Financial instruments

An outline of the Group's policy and objectives relating to financial instruments is set out in the directors' report on page 11.

Interest rate profile of financial assets and liabilities

Financial assets

	2007			2006		
	Total	Floating rate financial assets	Fixed rate financial assets	Total	Floating rate financial assets	Fixed rate financial assets
	£000	£000	£000	£000	£000	£000
Sterling	1,643	112	1,531	1,607	8	1,599
US dollar	-	-	-	13	13	-
Euro	2	2	-	-	-	-
Canadian	1	1	-	17	17	-
At end of year	1,646	115	1,531	1,637	38	1,599

The Group's financial assets comprise cash at bank and on deposit and fixed and current asset investments. The fixed interest rate on financial assets is 4.75%, and the weighted average time for which this is fixed is 10 years.

All financial assets on which no interest is receivable are readily marketable. The floating rate assets receive interest based on rates ruling in the London inter-bank market.

Financial liabilities

At 31 March 2007 the Group had a term loan outstanding of £9,537,000 (2006: £8,757,000) with JP Morgan Chase Bank, its principal bankers, on which interest is accruing. As at 31 March 2007 there were £100,000 (2006: £209,000) of capitalised bank fees related to this loan facility, which have been netted off against the loan in accordance with accounting standards, to give rise to a figure of £9,437,000 disclosed in these financial statements.

The Group had a year end fixed rate liability, all in sterling, of £1,706,000 (2006: £1,792,000) relating to finance lease obligations. The weighted average fixed rate of such liabilities is 3.8% (2006: 3.8%). The weighted average period for which the rate is fixed is 9 years (2006: 10 years).

The Group has 34,856,004 Convertible Redeemable Preference shares which have been issued by the Company at 26p per share. The holders are entitled at any time to convert all of the shares in issue on the basis of one ordinary share for each Convertible Redeemable Preference Share. They are not entitled to receive any dividend.

In the event that conversion has not occurred before the fifth anniversary of the date of issue, the holders are entitled at any time within 90 days following that anniversary, to require the Company to redeem all of the shares at the subscription price together with simple interest at the rate of 0.24% per annum calculated from the date of issue to that anniversary.

On a winding up the shares would rank ahead of any other class of shares and would be entitled to an amount up to the aggregate subscription price of the share plus interest on the subscription price at a rate of 0.24% per annum.

NOTES (CONTINUED)

22 Financial instruments (continued)

Currency exposures

As at 31 March 2006, the Group's currency exposures were as follows:

	2007	2006
	£000	£000
US dollar	-	12
Euro	2	-
Canadian	1	17

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at the year end is set out in note 21. The maturity details of the preference shares are set out in note 23.

Borrowing facilities

Under an agreement with JP Morgan Chase Bank dated 26 March 2004, as amended and restated as of 20 July 2005 among ContentFilm Inc., ContentFilm plc and Fireworks Acquisition Limited, and further amended and restated as of 1 March 2006 among ContentFilm Inc. and ContentFilm plc and then amended on September 1 2006 and June 29 2007, a \$25,000,000 secured revolving credit facility has been made available to the Group until 19 January 2008. As at 31 March 2007 £9,437,000 (2006: £8,757,000) of this facility had been drawn down.

Fair values of financial assets and financial liabilities

At 31 March 2007 and 31 March 2006, there is no material difference between the book value and the fair value of the Group's financial assets and financial liabilities.

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23 Called up share capital

	2007	2006
	£000	£000
Authorised:		
431,744,313 ordinary shares of 1p each	4,317	4,317
98,362,813 ordinary deferred shares of 4p each	3,935	3,935
34,960,887 (2006: 34,960,887) convertible, redeemable preference shares of 5p each	1,748	1,748
	10,000	10,000

	2007	2006
	£000	£000
Allotted, called up and fully paid:		
173,865,658 ordinary shares of 1p each	1,739	1,496
63,401,926 ordinary deferred shares of 4p each	2,536	2,536
	4,275	4,032
34,856,004 Convertible redeemable preference shares of 5p each	1,743	1,748
	6,018	5,780

NOTES (CONTINUED)

23 Called up share capital (continued)

	2007	2006
	£000	£000
Equity element of shares classed as financial liabilities		
34,856,004 (2006: 34,960,887) convertible, redeemable preference shares of 5p each	3,101	3,111

Equity share capital

During the year the following ordinary shares of 1p each were issued :

Number	Subscription price
192,838	5.75p
130,449	8.50p
104,883	13.00p
23,661,376	10.00p
73,926	15.00p
64,283	17.25p

Non equity share capital

The holders are entitled at any time to convert all of the shares in issue on the basis of one ordinary share for each Convertible Redeemable Preference Share. They are not entitled to receive any dividend.

In the event that conversion has not occurred before the fifth anniversary of the date of issue, the holders are entitled at any time within 90 days following that anniversary, to require the Company to redeem all of the shares at the subscription price together with simple interest at the rate of 0.24% per annum calculated from the date of issue to that anniversary.

On a winding up the shares would rank ahead of any other class of shares and would be entitled to an amount up to the aggregate subscription price of the share plus interest on the subscription price at a rate of 0.24% per annum.

Share options and share incentive plans

1993 Executive Share Option Scheme

This scheme is now closed. The following ordinary share options have been granted to the directors of the Company who have held office during the year and other staff of subsidiary undertakings and remain outstanding:

Exercisable	Directors	Other Staff	Total
2003 to 2010 at 228.0p	-	13,158	13,158
2004 to 2011 at 23p	-	100,000	100,000
At 31 March 2007	-	113,158	113,158
At 31 March 2006	-	444,106	444,106

NOTES (CONTINUED)

23 Called up share capital (continued)

1996 Unapproved Executive Share Option Scheme

This scheme is now closed. The following ordinary share options have been granted to the directors of the Company who have held office during the year and other staff of subsidiary undertakings and remain outstanding:

Exercisable	Directors	Other Staff	Total
2002 to 2009 at 148.5p	-	10,000	10,000
2003 to 2010 at 228.0p	-	11,842	11,842
2004 to 2011 at 241.67p	-	20,000	20,000
2004 to 2011 at 23p	-	100,000	100,000
At 31 March 2007	-	141,842	141,842
At 31 March 2006		390,893	390,893

2004 US Incentive Share Options Sub-Plan

The following ordinary share options have been granted to the directors of the Company and other staff:

Share Options	Directors	Other staff	Total
2007 to 2009 at 2.75p	2,000,000	1,350,000	3,350,000
2008 to 2010 at 12.75p	2,000,000	1,400,000	3,400,000
2008 to 2010 at 13.0p	1,000,000	500,000	1,500,000
At 31 March 2007	5,000,000	3,250,000	8,250,000
At 31 March 2006	2,000,000	1,350,000	3,350,000

The 2004 US Incentive Stock Option Sub-Plan enabled the Company to grant tax favoured incentive stock options to US employees.

Options may be subject to a vesting schedule rather than a performance condition and this schedule may provide for potential vesting before the third anniversary of the date of grant, allowing market competitive options to be granted to US employees.

2004 Approved Share Option Plan

The following ordinary share options were granted to the directors of the Company and other staff:

Share Options	Other staff	Total
2005 to 2007 at 17.5p	571	571
2007 to 2009 at 2.75p	4,150,000	4,150,000
2008 to 2010 at 12.75p	1,458,824	1,458,824
2008 to 2010 at 19.0p	157,894	157,894
At 31 March 2007	5,767,289	5,767,289
At 31 March 2006	4,450,571	4,450,571

NOTES (CONTINUED)

23 Called up share capital (continued)

Eligibility

Only employees of the Company and its subsidiaries or directors of the Group who devote not less than 25 hours per week to their duties and who are not within six months of their normal retirement date are eligible to participate.

Exercise Price

This is determined by the Company but will not be less than the higher of the nominal value of an ordinary share and its market value. Market value will be taken to be the price on the date of grant.

Grant of Options

All options granted are subject to an objective performance condition imposed by the Remuneration Committee and subject to a £30,000 maximum aggregate exercise price limit per employee.

Exercise of Options

Subject to the satisfaction of performance targets, options may normally only be exercised between the third and tenth anniversary of the date of grant.

2004 Unapproved Share Option Plan

Share Options	Other staff	Total
2005 to 2007 at 17.5p	119,427	119,427
2008 to 2010 at 12.75p	2,941,176	2,941,176
2008 to 2010 at 19.0p	92,106	92,106
At 31 March 2007	3,152,709	3,152,709
At 31 March 2006	119,427	119,427

The 2004 Unapproved Share Option Plan is similar to the Approved Plan except that options may be subject to a vesting schedule rather than a performance condition and this schedule may provide for potential vesting before the third anniversary of the date of grant, allowing market competitive options to be granted to US employees. The Remuneration Committee shall have discretion to determine the vesting period, which may be shorter than three years. Early vesting may occur in the good leaver circumstances applicable to options under the Unapproved Plan.

Limits for the Plans

During the year, the Company's mid-market share price ranged from 5p to 24p and as at 31 March 2007 stood at 23p.

24 Equity settled share based payments

Change in accounting policy

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standard: "FRS 20 (IFRS 2) Share Based Payments". The effects of the adoption of this standard can be summarised as follows :

	2007 £000	2006 £000
Equity settled share based payment	240	93
		-
Recognised via:		-
Adjustment to opening profit and loss account reserve	-	93
Current year expense	240	-
Profit and loss effect	240	93

NOTES (CONTINUED)

24 Equity settled share based payments (continued)

Equity settled share based payments

The Company has several share option schemes for specific employees (including directors). Details on the schemes are included in Note 23.

The 1993 Executive Share Option Scheme and the 1996 Unapproved Executive Share Option Scheme have been closed for several years and have not formed part of the calculations due to the change of accounting policy.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

	2007	2007	2006	2006
	No.	WAEP	No.	WAEP
1993 Executive Share Options Scheme				
Outstanding at the beginning of the year	44,106	49.8p	611,146	68.0p
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfited during the year	(300,628)	53.2p	(167,000)	45.3p
Expired during the year	-	-	-	-
Outstanding at the end of the year	143,478	39.9p	444,146	49.8p
Exercisable at the year end	-	-	-	-

	2007	2007	2006	2006
	No.	WAEP	No.	WAEP
1996 Unapproved Executive Share Options Scheme				
Outstanding at the beginning of the year	390,893	80.4p	1,153,854	78.6p
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfited during the year	(249,051)	131.4p	(762,961)	43.8p
Expired during the year	-	-	-	-
Outstanding at the end of the year	141,842	79.8p	390,893	80.4p
Exercisable at the year end	-	-	-	-

NOTES (CONTINUED)

24 Equity settled share based payments (continued)

	2007	2007	2006	2006
	No.	WAEP	No.	WAEP
2004 US Incentive Stock Options Sub-Plan				
Outstanding at the beginning of the year	3,350,000	2.75p	1,935,000	28.5p
Granted during the year	4,900,000	12.8p	3,350,000	2.75p
Exercised during the year	-	-	-	-
Forfited during the year	-	-	(1,935,000)	28.5p
Expired during the year	-	-	-	-
Outstanding at the end of the year	8,250,000	8.7p	3,350,000	2.75p
Exercisable at the year end	-	-	-	-

	2007	2007	2006	2006
	No.	WAEP	No.	WAEP
2004 Approved Share Option Plan				
Outstanding at the beginning of the year	4,450,571	2.75p	185,263	28.5p
Granted during the year	1,766,718	13.3p	4,450,000	2.75p
Exercised during the year	-	-	-	-
Forfited during the year	(450,000)	2.75p	(184,692)	28.5p
Expired during the year	-	-	-	-
Outstanding at the end of the year	5,767,289	5.7p	4,450,571	2.75p
Exercisable at the year end	-	-	-	-

	2007	2007	2006	2006
	No.	WAEP	No.	WAEP
2004 Unapproved Share Option Plan				
Outstanding at the beginning of the year	119,427	17.5p	194,737	28.5p
Granted during the year	3,033,282	12.9p	119,427	17.5p
Exercised during the year	-	-	-	-
Forfited during the year	-	-	(194,737)	28.5p
Expired during the year	-	-	-	-
Outstanding at the end of the year	3,152,709	13.1p	119,427	17.5p
Exercisable at the year end	-	-	-	-

Details on the share options outstanding at the year end, including their contractual life and exercise prices are contained in Note 23.

NOTES (CONTINUED)

24 Equity settled share based payments (continued)

The fair values were calculated using the Black Scholes Pricing Model. The inputs into the model were as follows:

2007

Date of issue	No. granted	W.A Share price	W.A Exercise price	Expected Volatility	Expected Life	Risk free rate	Expected dividend yield	W.A F.V at grant date
	No.	Pence	Pence	%	Years	%	%	Pence
16 Aug 06	8,050,000	12.75	12.75	109.33	7	4.97	0	11.17
1 Sep 06	1,500,000	13.0	13.0	107.59	7	4.98	0	11.32
5 Dec 06	250,000	19.0	19.0	101.55	7	5.27	0	16.19

2006

Date of issue	No. granted	W.A Share price	W.A Exercise price	Expected Volatility	Expected Life	Risk free rate	Expected dividend yield	W.A F.V at grant date
	No.	Pence	Pence	%	Years	%	%	Pence
12 Oct 05	7,800,000	2.75	2.75	112.23	7	4.57	0	2.43

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The company recognised total expenses of £240,000 (2006: £93,000) related to equity settled share based payment transactions during the year.

25 Reserves

Group

	Warrant Reserve	Merger Reserve	Share premium account	Profit and loss account
	£000	£000	£000	£000
Opening reserves as per prior year	61	505	35,564	(40,403)
Adjustment to opening reserves:				
FRS 20 charge	-	-	-	(93)
Reserve reallocation	-	-	-	93
At beginning of year	61	505	35,564	(40,403)
Retained profit for the financial year	-	-	-	5,385
Arising on issue of equity shares	-	-	1,792	-
Share issue costs	-	-	(11)	-
Share options reserve (FRS 20)	-	-	-	240
Preference share conversion	-	-	31	-
Transfer to profit and loss account	-	(73)	-	73
At end of year	61	432	37,376	(34,705)

NOTES (CONTINUED)

25 Reserves (continued)

Company

	Warrant Reserve	Share premium account	Profit and loss account
	£000	£000	£000
Opening reserves	61	35,564	(47,176)
Arising on issue of equity shares	-	1,792	-
Share issue costs	-	(11)	-
Preference share conversion	-	31	-
Profit for the financial year	-	-	5,447
At end of year	61	37,376	(41,729)

The warrant reserve arose as result of the 3,048,519 warrants issued as part of the acquisition of Cobalt Media Capital Limited on 28 July 2003. Each warrant carries the right to subscribe for one new ordinary share in the Company at a subscription price of an additional 12.535p per share. Warrant holders are entitled to exercise all or some of their subscription rights under the warrants at any time between 28 July 2003 and 28 July 2006.

26 Commitments

Capital commitments

There were no capital commitments at the end of the year (2006: £Nil).

Operating leases

At 31 March 2007 the Group and the Company were committed to making the following payments during the next year in respect of non-cancellable operating leases:

	Group Land and buildings	Company Land and buildings	Group Land and buildings	Company Land and buildings
	2007	2007	2006	2006
	£000	£000	£000	£000
Leases which expire:				
Within one to two years	41	-	56	-
Within two to five years inclusive	-	-	-	-
After more than five years	170	170	170	170
Total	211	170	226	170

27 Pension scheme

The Group operates a defined contribution pension scheme. Contributions made by the Group to the scheme during the year amounted to £61,000 (2006: £58,000). The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions outstanding at 31 March 2007 were £nil (2006: £nil).

NOTES (CONTINUED)

28(a) Reconciliation of operating profit and net cash outflow from operating activities

	2007	2006
	£000	£000
		(restated)
Operating profit/(loss)	3,030	(800)
Depreciation charge	55	41
(Gain)/loss on sale of fixed assets	-	9
Goodwill amortisation	875	713
Decrease in investments	-	2
Decrease in stocks	3,235	3,138
(Increase)/decrease in debtors	(1,095)	456
(Decrease)/increase in creditors	(2,340)	4,097
Non cash flow exceptionals	-	(1,184)
FRS 20 Equity settled share base payments	240	93
Net cash inflow from operating activities	4,000	6,565

28(b) Returns on investments and servicing of finance

	2007	2006
	£000	£000
Interest received	85	106
Interest paid	(959)	(1,000)
Interest element of finance lease repayments	(32)	(78)
	(906)	(972)

28(c) Capital expenditure and financial investment

	2007	2006
	£000	£000
Payments to acquire tangible fixed assets	(210)	(14)
Proceeds from disposal of tangible fixed assets	-	(4)
	(210)	(18)

NOTES (CONTINUED)

28(d) Management of liquid resources

	2007	2006
	£000	£000
Cash withdrawn from deposit	67	64

28(e) Financing

	2007	2006
	£000	£000
Issue of ordinary share capital	-	2,183
Issue costs of share placing	-	(434)
Increase/(repayment) of bank loans	(2,923)	(7,573)
Increase in bank loans upon acquisition	3,703	-
Capital element of finance lease repayments	(86)	(80)
	(694)	(5,904)

28(F) Acquisitions and Disposals

	2007	2006
	£000	£000
Purchase of subsidiary undertakings	(3,703)	(10,469)
Net cash acquired with subsidiary	134	-
	(3,569)	(10,469)

29 Analysis of movement in net debt

	At 31 March 2006	Cash flow	Non cash Movement	At 31 March 2007
	£000	£000	£000	£000
Liquid Resources	1,598	(67)	-	1,531
Cash	39	76	-	115
Cash at Bank	1,637	9	-	1,646
Finance leases	(1,792)	86	-	(1,706)
Bank loan facility	(8,757)	(780)	-	(9,537)
Convertible Debt	(7,104)	-	(617)	(7,721)
Total	(16,016)	(685)	(617)	(17,318)

As at 31 March 2007 there were £100,000 (2006: £209,000) of capitalised bank fees related to this loan facility, which have been netted off against the loan in accordance with accounting standards, to give rise to a figure of £9,437,000 (2006: £8,548,000) disclosed in these financial statements.

NOTES (CONTINUED)

30 Acquisitions

The Company undertook two acquisitions during the year as part of the creation of a US based home entertainment division.

Acquisition of UAV Assets

On 7 July 2006, the Group acquired certain assets from UAV Corporation and UAV Holdings Inc (the UAV assets). These assets consisted of receivables, inventory, fixed assets and licenses for US home entertainment rights related to approximately 350 titles.

The consideration for the UAV assets was \$7 million paid in cash during the year. The assets were acquired by ContentCo Acquisition Company LLC, a wholly owned subsidiary company of ContentFilm Plc. The subsidiary has been accounted for under the acquisition method of accounting.

As the Group did not acquire the entire film library or business owned by UAV, it is not possible to provide any pre acquisition profit and loss accounts for the assets that were acquired.

The assets and liabilities of the acquired UAV assets were as follows:

	Book value	Other adjustments	Fair value
	£000	£000	£000
Fixed assets			
Tangible	32	-	32
Current assets			
Debtors	596	-	596
Stocks	390	1,058	1,448
Total assets	1,018	1,058	2,076
Creditors			
Other creditors	(1,112)	-	(1,112)
Total liabilities	(1,112)	-	(1,112)
Net assets	(94)	1,058	964
Intangible assets			
Purchased goodwill			2,739
			3,703
Satisfied by cash			3,703

The assets were acquired out of a distressed corporate situation and no reliable books and records in relation to the assets acquired were available for the directors to assess reliable historic book values. The directors have based their valuation on work undertaken post acquisition to assess the reasonable book values for most of the assets acquired. A fair value adjustment was made for the recognition of the value of the acquired library inventory. The resulting fair values are considered to be provisional.

Acquisition of Allumination FilmWorks LLC

On 1 September 2006, the Group acquired 100% of the nominal share capital of Allumination FilmWorks LLC. The fair value of the consideration for Allumination FilmWorks LLC was \$3,801,200 satisfied by the issue of 23,661,376 ordinary shares, at a price of 8.5p per share.

NOTES (CONTINUED)

30 Acquisitions (continued)

Allumination is predominantly a US home entertainment company that also acquires and distributes US and international entertainment rights through its library of over 200 feature films and 4,000 hours of other film and television programming.

Allumination FilmWorks LLC has been accounted for under the acquisition method of accounting.

	Book value	Other adjustments	Fair value
	£000	£000	£000
Fixed assets			
Tangible	15	-	15
Current assets			
Cash	134	-	134
Debtors	644	(104)	540
Stocks	1,243	(343)	900
Other assets	36	-	36
Total assets	2,072	(447)	1,625
Creditors			
Trade creditors	(413)	-	(413)
Other creditors	(789)	-	(789)
Total liabilities	(1,202)	-	(1,202)
Net assets	870	(447)	423
Intangible assets			
Goodwill			1,566
			1,989
Satisfied by share issue			1,989

Fair value adjustments were made for the creation of a provision for the collection of debtors, the creation of a provision for inventory obsolescence, additional provisions for the carrying value of film cost inventory and the recognition of the value of the acquired library. The resulting fair values are considered to be provisional and subject to further adjustment if appropriate.

Allumination made an unaudited loss of \$3,117,884 for the year ended 31 December 2005. The unaudited results for the eight months ended 31 August 2006 were as follows:

	Period from 1 January 2006 to 31 August 2006
	£000
Turnover	1,751
Operating Profit	51
Profit before tax	51
Taxation	5
Retained profit	46

NOTES (CONTINUED)

30 Acquisitions (continued)

There were no material recognised gains and losses in the period to the date of acquisition other than the profit for the period.

Upon acquiring the UAV assets and Allumination, the Company has accounted for the resulting home entertainment operation as a single entity. This combined undertaking acquired during the year made the following contribution to, and utilisation of, group cash flow:

	2007 £000
Net cash and flow from operating activities	82
Returns on investments and servicing of finance	-
Taxation	-
Capital expenditure and financial investment	(186)
Acquisitions and disposals	-
Net cash inflow before use of liquid resources and financing	(104)
Management of liquid resources	-
Financing	-
Decrease in cash on the year	(104)

Reconciliation of operating profit to operating cash flows:

	2007 £000
Operating profit	1,354
Depreciation charge	20
Goodwill amortisation	161
Increase in stocks	(63)
Increase in debtors	(1,320)
Increase in creditors	1,061
Decrease in amounts due to group undertakings	(1,231)
Exchange differences	100
Net cash inflow from operating activities	82

31 Contingent Liabilities

In relation to an agreement dated March 26 2004, between JP Morgan Chase Bank, ContentFilm plc, and a subsidiary company ContentFilm Inc., the Group has provided a guarantee to JP Morgan Chase Bank in relation to the repayment of all amounts owing under the agreement. Further JP Morgan Chase Bank has a security interest over the assets of all Group companies and their shares.

COMPANY No: 2819652
CONTENTFILM PLC
("COMPANY")

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the **TWELFTH ANNUAL GENERAL MEETING** of the Company will be held at the offices of Olswang, 90 High Holborn, London WC1V 6XX on 5 November 2007, commencing at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 5 will be proposed as ordinary resolutions, and resolutions 6 and 7 will be proposed as special resolutions:

ORDINARY RESOLUTIONS:

1. To receive the Company's annual accounts for the financial year ended 31 March 2007, together with the directors' report and the auditors' report on those accounts.

2. To approve the report on Directors' remuneration for the financial year ended 31 March 2007.

3. To reappoint Huw Davies as a Director of the Company, retiring by rotation in accordance with the Company's articles of association.

4. To reappoint Grant Thornton UK LLP as auditors to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid and to authorise the directors to fix their remuneration.

5. **THAT:**

5.1 the directors be generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 ("Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £580,085;

5.2 this authority shall expire (unless previously revoked by the Company) at the conclusion of the next annual general meeting of the Company;

5.3 the Company may make an offer or agreement before this authority expires which would or might require relevant securities to be allotted after it has expired and may allot relevant securities pursuant to any such offer or agreement notwithstanding that this authority has expired; and

5.4 all previous authorities to allot relevant securities be revoked.

SPECIAL RESOLUTIONS

6. **THAT** subject to the passing of resolution 5 the directors be given power pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash either pursuant to the authority conferred by resolution 5 or by an allotment of equity securities such as is referred to in section 94(3A) of the Act, as if sub-section 89(1) of the Act did not apply to the allotment provided that this power shall be in addition to any existing powers conferred on the directors pursuant to section 95 of the Act and shall be limited to:

6.1 the allotment of equity securities in connection with an offer or issue of such securities to holders of ordinary shares on the register on a date fixed by the directors in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them on that date but subject to such exclusions and other arrangements as the directors may consider appropriate in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or with the requirements of any regulatory body or stock exchange; and

6.2 the allotment (other than pursuant to resolution 6.1) of equity securities having, in the case of relevant shares (as defined for the purposes of section 89 of the Act), a nominal amount or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate £87,014, and shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution except that the Company may before the expiry of this authority make an offer or agreement which would or might require equity securities to be allotted after it expires and the directors may allot equity securities in pursuance of such an offer or agreement notwithstanding that the authority has expired.

7. **THAT** the Company's authority to make purchases of its own shares pursuant to a contingent purchase contract between the Company, Content LLC, Edward Pressman, John Schmidt and Syntek Capital AG dated 26 March 2004 granted to the Company at an extraordinary general meeting held on 26 March 2004 be renewed, such authority to expire on the earlier of the conclusion of the next annual general meeting of the Company after the passing of this resolution or 31 March 2009 unless renewed prior to such expiry.

By Order of the Board

Geoffrey Webb

Secretary

28 September 2007

Registered office:

19-21 Heddon Street

London W1B 4BG

Notes to Members

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.

2. In accordance with the articles of association of the Company, this notice is sent to all holders of Convertible Redeemable Preference Shares but such holders of Convertible Redeemable Preference Shares (in that capacity) may only vote on resolutions relating to the appointment of directors.

3. To be valid, a form of proxy and the power of attorney or other written authority, if any, under which it is signed, or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote. In the case of a poll, the document(s) must be delivered as aforesaid not less than 48 hours before the time appointed for taking the poll, or where the poll is taken not more than 48 hours after it was demanded be delivered at the meeting at which the demand is made. Use of the form of proxy does not preclude a member from attending and voting in person.

4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the register of members of the Company as at 11 a.m. on 1 November 2007 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after 11 a.m. on 1 November 2007 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

5. A copy of the contingent purchase contract shall be available for inspection of the Company's registered office for 15 days prior to the annual general meeting and at the annual general meeting itself.

EXPLANATORY NOTES TO RESOLUTIONS 5, 6 and 7

Resolution 5

The Companies Act 1985 provides that the authority of the directors to allot relevant securities is subject to the approval of shareholders in general meeting. Accordingly, this resolution will be proposed to authorise the directors to allot up to a nominal amount of £580,085. This figure represents one third of the issued ordinary share capital of the Company as at the date of this notice of annual general meeting. The issued ordinary share capital of the Company has been increased since the date of the last report and accounts. Should this authority be approved, it will remain valid until the conclusion of the next annual general meeting of the Company.

Resolution 6

The Companies Act 1985 provides that any equity shares issued wholly for cash must be offered to existing shareholders in proportion to their existing holdings. This requirement may be modified by a special resolution of the shareholders. The effect of this resolution is to empower the directors, until the conclusion of the next annual general meeting of the Company, to allot equity securities for cash, otherwise than by an issue pro rata to existing shareholders, up to a maximum nominal amount of £87,014, representing five per cent of the issued ordinary share capital of the Company as at the date of this notice of annual general meeting. The directors consider that it is appropriate for this authority and these powers to be granted to preserve maximum flexibility for the future.

Resolution 7

Under the terms of the merger agreement dated 3 March 2004 pursuant to which ContentFilm, Inc. and Winchester Entertainment Plc were merged to form the Company, the Company was given the benefit of certain warranties. Under the terms of a contingent purchase contract dated 26 March 2004 it was agreed between the Company and the grantors of such warranties that in the event of a settled warranty claim the Company could satisfy any liability owed to it under such claim by way of purchasing from those warrantors an appropriate number of shares in the Company held by them for the sum of £0.01 in respect of all the shares to be acquired. The Companies Act 1985 allows a company to purchase its own shares if permitted by its articles of association and the purchase has been authorised by its shareholders in a general meeting. The Company's articles of association permit the Company to purchase its own shares and the purpose of this resolution is to renew the shareholder authority for the Company to purchase its own shares under the terms of the contingent purchase contract, as originally granted by the shareholders at the extraordinary general meeting held 26 March 2004.

CONTENTFILM

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