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Company Registration No. 04785658 (England and Wales)

SCHEDULE II LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 30 JUNE 2004



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SCHEDULE II LIMITED

COMPANY INFORMATION

Directors	R. L. Hawkes P. N. Watson J. P. Lynch-Staunton
Secretary	S M Cook
Company number	04785658
Registered office	24 Hanway Street London W1T 1UH
Business address	24 Hanway Street London W1T 1UH
Auditors	H.W. Fisher & Company Acre House 11-15 William Road London NW1 3ER

SCHEDULE II LIMITED

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SCHEDULE II LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2004

The directors present their report and accounts for the period ended 30 June 2004.

Principal activities

The principal activity of the company is supplying promotional materials, prints and DVD's.

Incorporation

The company was incorporated on 3 June 2003 and commenced trading on this date.

Review of Business

Both the level of business and the period end financial position were as expected in the light of current trading conditions and the directors do not anticipate any material changes in the present level of activity.

Results and dividends

The profit for the period after taxation amounted to £22,807.

Directors and their interests

The directors at 30 June 2004 and their beneficial interests in the shares of the company were:

	Ordinary of £ 1 each	
	30 June 2004	3 June 2003
R.L. Hawkes	25	-
P. N. Watson	-	-


All the directors were appointed on 3 June 2003, with the exception of J.P. Lynch-Staunton, who was appointed as a director on 28 September 2004. Additionally, T. Wase Bailey served as a director until his resignation on 24 November 2003. P.N. Watson is also a director of the parent company, Hanway Films Limited. His interest in the shares of the parent company are disclosed in that company's accounts.

Auditors

H.W. Fisher & Company were appointed auditors to the company.

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with Section 386(1) of the Companies Act 1985.

On behalf of the Board


J. P. Lynch-Staunton
Director
Dated: 1/4/05

SCHEDULE II LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those accounts, the directors are required to:

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

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

SCHEDULE II LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accounts of Schedule II Limited for the period ended 30 June 2004 set out on pages 4 to 11. These accounts have been prepared under the historical cost convention and the accounting policies set out on page 6.

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

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

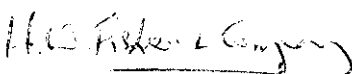
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

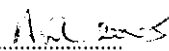
Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30 June 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



H.W. Fisher & Company

Chartered Accountants
Registered Auditor
Acre House
11-15 William Road
London
NW1 3ER
United Kingdom

Dated: 1 July 2005 

SCHEDULE II LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2004

	Notes	Period ended 30 June 2004 £
Turnover	2	472,926
Cost of sales		(301,781)
Gross profit		171,145
Distribution costs		(19,114)
Administrative expenses		(120,816)
Operating profit	3	31,215
Interest payable and similar charges	6	(3)
Profit on ordinary activities before taxation		31,212
Tax on profit on ordinary activities	7	(8,405)
Profit on ordinary activities after taxation		22,807
Accumulated loss brought forward		-
Retained profit carried forward		22,807

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

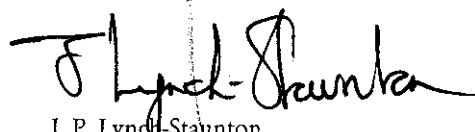
SCHEDULE II LIMITED

BALANCE SHEET AS AT 30 JUNE 2004

	Notes	£	2004 £
Fixed assets			
Tangible assets	8		1,792
Current assets			
Debtors	9	96,258	
Cash at bank and in hand		47,830	
		<u>144,088</u>	
Creditors: amounts falling due within one year	10	<u>(122,515)</u>	
Net current assets			<u>21,573</u>
Total assets less current liabilities			<u>23,365</u>
Provisions for liabilities and charges	11		<u>(458)</u>
			<u>22,907</u>
Capital and reserves			
Called up share capital	12		100
Profit and loss account			<u>22,807</u>
Shareholders' funds - all equity interests	13		<u>22,907</u>

The accounts were approved by the Board on

1/4/05



J. P. Lynd-Staunton
Director

SCHEDULE II LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2004

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention.

1.2 Turnover

Turnover represents the invoiced value of goods sold and services provided net of VAT.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25% Straight line
--------------------------------	-------------------

1.4 Leasing

Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

1.5 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.6 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

2004

£

Operating profit is stated after charging:

Depreciation of owned tangible fixed assets

507

Operating lease rentals

- Other assets

10,600

Auditors' remuneration

1,500

SCHEDULE II LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2004

4	Directors' emoluments	2004 £
	Aggregate emoluments	<u>50,181</u>
5	Employees	
	Number of employees	
	The average monthly number of employees during the period was:	2004 Number
	Sales and marketing	<u>2</u>
	Employment costs	£
	Wages and salaries	64,180
	Social security costs	7,269
		<u>71,449</u>
6	Interest payable and similar charges	2004 £
	Interest payable on:	
	Bank loans and overdrafts	<u>3</u>

SCHEDULE II LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2004

7	Tax on profit on ordinary activities	2004	2004
		£	£
	Current tax		
	<u>UK corporation tax</u>		
	Current tax on income for the period	7,947	
			7,947
	Deferred tax		
	Origination and reversal of timing differences	458	
			458
			8,405
	Factors affecting the tax charge for the period		
	Profit on ordinary activities before taxation		31,212
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00%		9,364
	Effects of:		
	Expenses not deductible for tax purposes		2,443
	Capital allowances for period in excess of depreciation		(458)
	Small companies rate adjustment		(3,402)
	Current tax charge		7,947

SCHEDULE II LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2004

8 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 3 June 2003	-
Additions	2,299
	<hr/>
At 30 June 2004	2,299
	<hr/>
Depreciation	
At 3 June 2003	-
Charge for the period	507
	<hr/>
At 30 June 2004	507
	<hr/>
Net book value	
At 30 June 2004	1,792
	<hr/> <hr/>

9 Debtors

	2004 £
Trade debtors	66,013
Amounts owed by companies under common control	19,650
Other debtors	10,135
Prepayments and accrued income	460
	<hr/>
	96,258
	<hr/> <hr/>

10 Creditors: amounts falling due within one year

	2004 £
Trade creditors	96,726
Amounts owed to companies under common control	7,010
Corporation tax	7,947
Directors current accounts	625
Other creditors	2,707
Accruals and deferred income	7,500
	<hr/>
	122,515
	<hr/> <hr/>

SCHEDULE II LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2004

11 Provisions for liabilities and charges

	Deferred taxation £
Balance at 3 June 2003	-
Profit and loss account	458
	<hr/>
Balance at 30 June 2004	458
	<hr/>

Deferred tax is provided at 30% analysed over the following timing differences:

	2004 £
Accelerated capital allowances	458
	<hr/>

12 Share capital

	2004 £
Authorised	
1,000 Ordinary of £1 each	1,000
	<hr/>
Allotted, called up and fully paid	
100 Ordinary of £1 each	100
	<hr/>

13 Reconciliation of movements in shareholders' funds

	2004 £
Profit for the financial period	22,807
New share capital subscribed	100
	<hr/>
Net addition to shareholders' funds	22,907
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	22,907
	<hr/>

SCHEDULE II LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD ENDED 30 JUNE 2004

14 Commitments under operating leases

At 30 June 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2004 £
Expiry date: Within one year	9,600

15 Related party transactions

Other creditors includes £625 due to R. Hawkes, a director of the company. During the period, £3,500 was paid to G. Braxton, the husband of R. Hawkes, for the provision of accountancy services.

Debtors include £9,459 due from Hanway Films Limited, a company under common control. During the period the following transactions were made between the two companies:

	£
Sales to Hanway Films Limited	39,744
Expenses recharged by Hanway Films Limited	16,335
Advances from Hanway Films Limited	6,450
Management charge payable to Hanway Films Limited	7,500

Creditors includes £7,010 due to Recorded Picture Company Limited, a company under common control, which arose from expenses recharged in the period.

Debtors include £10,191 due from RPC Dreamers Limited, a company under common control. During the period the following transactions were made between the two companies:

	£
Sales made to RPC Dreamers Limited	85,087
Receipts from RPC Dreamers Limited	74,896

16 Controlling parties

The ultimate controlling party is J. Thomas.