

Company Registration No 04785658 (England and Wales)

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CREATIVITY ENTHUSIASM ENERGY VISION

SCHEDULE II LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2007

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SCHEDULE II LIMITED

COMPANY INFORMATION

Directors	R L Hawkes P N Watson S Mallmann 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 YEAR ENDED 30 JUNE 2007

The directors present their report and accounts for the year ended 30 June 2007

Principal activities

The principal activity of the company is supplying promotional materials, prints and DVDs

Directors

The directors who served during the year were

R L Hawkes
P N Watson
S Mallmann
J P Lynch-Staunton

Dividends

The directors propose to pay a dividend to the holding company which, after the waiver by minorities of their entitlement, amounts to £60,000

Charitable contributions

During the year the company made charitable donations of £600 (2006 £nil)

Disclosure of information to auditors

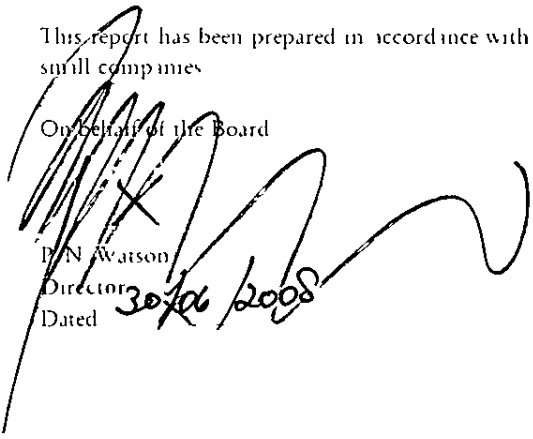
Each of the directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditors are unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information

Auditors

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. Therefore, the auditors, HW Fisher & Company, will be deemed to be reappointed for each succeeding financial year

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

On behalf of the Board


P N Watson

Director

Dated

30/06/2008

SCHEDULE II LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 these 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 that 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 year ended 30 June 2007 set out on pages 4 to 11. These accounts have been prepared under 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts 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 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 other transactions 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

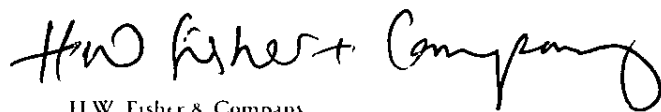
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant 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 in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 30 June 2007 and of its profit for the year 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 3FR
United Kingdom

Dated 30 June 2008

SCHEDULE II LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 £	2006 £
Turnover	2	1,543,951	1,071,768
Cost of sales		(973,061)	(711,145)
Gross profit		570,890	360,623
Distribution costs		(22,839)	(19,570)
Administrative expenses		(362,495)	(314,788)
Operating profit	3	185,556	26,265
Other income	6	666	957
Profit on ordinary activities before taxation		186,222	27,222
Tax on profit on ordinary activities	7	(53,774)	(10,339)
Profit on ordinary activities after taxation		132,448	16,883
Retained profit brought forward		24,798	7,915
Retained profit carried forward		157,246	24,798

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 2007

	Notes	£	2007 £	2006 £
Fixed assets				
Tangible assets	8		4,787	6,624
Current assets				
Debtors	9	141,994		107,817
Cash at bank and in hand		374,503		87,515
		<u>516,497</u>		<u>195,332</u>
Creditors' amounts falling due within one year	10	<u>(363,709)</u>		<u>(176,600)</u>
Net current assets			<u>152,788</u>	<u>18,732</u>
Total assets less current liabilities			<u>157,575</u>	<u>25,356</u>
Provisions for liabilities and charges	11		<u>(229)</u>	<u>(458)</u>
			<u>157,346</u>	<u>24,898</u>
Capital and reserves				
Called up share capital	12		100	100
Profit and loss account			<u>157,246</u>	<u>24,798</u>
Shareholders' funds - all equity interests	13		<u>157,346</u>	<u>24,898</u>

The accounts were approved by the Board on

30/06/2008

J N Watson
Director

SCHEDULE II LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2007

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. Turnover is recognised at the point at which goods are dispatched to the customer as this is the point at which the risks and rewards of ownership have transferred

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	10 - 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

Geographical market

	Turnover	
	2007	2006
	£	£
UK	195,651	153,215
Overseas	1,317,587	918,553
	<u>1,513,238</u>	<u>1,071,768</u>

SCHEDULE II LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2007

3	Operating profit	2007	2006
		£	£
	Operating profit is stated after charging		
	Depreciation of owned tangible fixed assets	2,437	1,888
	Operating lease rentals		
	- Other assets	-	2,400
	Auditors' remuneration	4,000	2,500
		<u> </u>	<u> </u>
4	Directors' emoluments	2007	2006
		£	£
	Aggregate emoluments	94,659	71,037
		<u> </u>	<u> </u>
5	Employees		
	Number of employees		
	The average monthly number of employees during the year was		
		2007	2006
		Number	Number
	Sales and marketing	3	3
		<u> </u>	<u> </u>
	Employment costs		
		£	£
	Wages and salaries	174,981	133,021
	Social security costs	19,952	14,967
		<u> </u>	<u> </u>
		194,933	147,988
		<u> </u>	<u> </u>
6	Other income	2007	2006
		£	£
	Interest receivable and similar income	666	957
		<u> </u>	<u> </u>

SCHEDULE II LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2007

7	Tax on profit on ordinary activities	2007 £	2007 £	2006 £	2006 £
	Current tax				
	<u>UK corporation tax</u>				
	Current tax on income for the period	60,542		10,339	
	Adjustments in respect of prior periods	(6 539)		-	
			54 003		10,339
	Deferred tax				
	Origination and reversal of timing differences	(229)		-	
			(229)		-
			53,774		10,339
	Factors affecting the tax charge for the year				
	Profit on ordinary activities before taxation		186 222		27,222
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006: 30.00%)		55 867		8,167
	Effects of				
	Expenses not deductible for tax purposes		4,382		3,938
	Capital allowances for period in excess of depreciation		293		77
	Tax losses utilised		-		(12)
	Small companies relief		-		(1,831)
	Adjustments to tax charge in respect of previous periods		(6 539)		-
	Current tax charge		54 003		10,339

SCHEDULE II LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2007

8 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 July 2006	10,713
Additions	600
Disposals	(1,275)
At 30 June 2007	10,038
Depreciation	
At 1 July 2006	4,089
On disposals	(1,275)
Charge for the year	2,437
At 30 June 2007	5,251
Net book value	
At 30 June 2007	4,787
At 30 June 2006	6,624

9 Debtors	2007 £	2006 £
Trade debtors	43,589	89,515
Amounts owed by group undertakings	25,404	-
Amounts owed by company under common control	70,328	13,800
Other debtors	267	2,334
Prepayments and accrued income	2,406	2,168
	141,994	107,817

SCHEDULE II LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2007

10	Creditors amounts falling due within one year	2007 £	2006 £
	Trade creditors	235,729	94,202
	Amounts owed to group undertakings	-	5,448
	Amounts owed to company under common control	-	11,493
	Corporation tax	53,342	10,339
	Other taxes and social security costs	24,247	12,674
	Directors current accounts	22,847	8,331
	Accruals and deferred income	27,544	34,113
		<u>363,709</u>	<u>176,600</u>

11	Provisions for liabilities and charges	Deferred taxation £
	Balance at 1 July 2006	458
	Profit and loss account	(229)
	Balance at 30 June 2007	<u><u>229</u></u>

Deferred tax is provided at 30% (2006- 30%) analysed over the following timing differences

	2007 £	2006 £
Accelerated capital allowances	<u>229</u>	<u>458</u>

12	Share capital	2007 £	2006 £
	Authorised		
	1,000 Ordinary of £1 each	<u>1,000</u>	<u>1,000</u>
	Allotted, called up and fully paid		
	100 Ordinary of £1 each	<u>100</u>	<u>100</u>

SCHEDULE II LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2007

13	Reconciliation of movements in shareholders' funds	£	£
	Profit for the financial year	132,448	16,883
	Opening shareholders' funds	24,898	8,015
		<hr/>	<hr/>
	Closing shareholders' funds	157,346	24,898
		<hr/>	<hr/>

14 Related party transactions

The company made sales of £135,146 (2006 £108,692) to Hanway Films Limited and net cash of £12,955 (2006 £105,316) was received from Hanway Films Limited. During the year Schedule II Limited paid rent to Hanway Films Limited of £15,000 (2006 £11,250) for use of its premises, and was recharged expenses totalling £31,339 by Hanway Films Limited. At the year end the company was owed £25,404 (2006 creditor - £5,448) by Hanway Films Limited.

Additionally, during the year, the company was charged £45,000 (2006 £51,000) management charges by Hanway Films Limited, the parent company.

Amounts owed by companies under common control represents £70,328 (2006 creditor - £11,493) owed by Recorded Picture Company Limited ("RPC"). During the year the following transactions were made between the two companies:

Salaries recharged from RPC of £15,295

Expenses recharged from RPC of £722

Transfers made by RPC of £24,457

VAT refunds received by RPC on behalf of the company of £122,295

Debtors includes £Nil (2006 £13,800) due from RPC Coyote Inc, a company under common control. During the period the company made sales to RPC Coyote Inc of £Nil (2006 £13,800).

15 Controlling parties

The ultimate controlling party is J. Thomas