

VTR plc

STATUTORY ACCOUNTS

**FOR THE SEVEN MONTHS PERIOD
ENDED 31 MARCH 2007**

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Chairman's Statement

In the seven month period to 31 March 2007 group turnover was £10,604,289 compared to £17,692,273 for the year ended 31 August 2006. The overall profit for the seven month period was £1,001,813 (2006 Loss: £2,050,317).

Overview

I am delighted to announce a significant improvement in VTR Plc's results compared to this time last year. In my statement which accompanied the full year results to 31 August 2006, I stated that there has been a fundamental change in the post-production sector and that VTR had to take radical steps to keep in tune with these changes. Since that time we have completed an aggressive cost-cutting plan and reorganised the group from five companies into three unique brands. The capital expenditure programme is now complete, the refurbishment programme for the buildings is coming to an end and we now have a streamlined sales process.

I am particularly pleased that these results have been achieved as a standalone UK operation in a UK Market. With the Prime Focus India integration with VTR gathering momentum from an operational and sales perspective, I do believe that once this is complete, VTR will see enormous benefits not only in the UK, but globally.

The next objectives for VTR in the coming year are to build upon the excellent foundations put in place in the UK and compete for global contracts. We also need to complete the Prime Focus India integration and turn our attention to international opportunities that we are currently exploring.

The detail of our business performance is set out below by our Managing Director Neil Lane.

Staff

On behalf of the board, I would like to highlight and express our thanks for the enormous contribution and unwavering support given by all our staff throughout the enormous changes that have taken place over the past twelve months.

Dividend

No dividend has been declared this year. Your board will continue to keep the matter under review.

Cashflow and Gearing

There was a significant improvement in gearing for the period. It fell to 38% from 48% in the previous year i.e. as at 31 August 2006. Indebtedness continued to fall, with net borrowings decreasing to £3.7m from £3.8m as at 31 March 2006. As at 31 March 2007, the Company had cash of £144,503.

Outlook

The current year has started very well and we are anticipating this to be a year of further substantial progress. Although all markets remain competitive and we still have a long way to go, I believe VTR is now set on the right course to meet the challenges of a UK Post Production market, as well as taking full advantage of the global Film Visual Effects industry. I look forward with confidence to updating shareholders in the coming year on our progress.

Namit Malhotra

June 29th , 2007

Managing Director's Review

After finally completing all cost reductions within the group, management integration and repositioning of the group companies, I am happy to report that the VTR Group now has a focus and strategy not seen for many years.

In the seven months since the last audited accounts, we have streamlined the group into three operating brands - Prime Focus London, blue post production and K>post. These three brands will now form the basis with which to take the group forward and complement the exciting prospects we are seeing ahead through our integration with Prime Focus India. It will make our Group simpler to manage both technically and operationally and above all provide our clients with a level of service never seen before in the Group.

Prime Focus London, led by Managing Director Simon Huhtala, has been formed from existing subsidiaries, Video Tape Recording Ltd, Clear (Post Production) Ltd and The Hive Animation Ltd. This division, operating out of a fully refurbished building in Dean Street, Soho, competes within the Film Digital Intermediate, Commercials, Visual Effects, and 3D CGI (Computer Generated Imagery) market place.

blue post production, led by Managing Director Simon Briggs, has consolidated its position within the Drama and Broadcast programming market, adding many other services and will be shortly integrating The Machine Room Ltd, (the Group's, dubbing, archival, restoration and Digital Media subsidiary), within its offering. Now operating out of one building and with all its services under one roof, blue post production is targeted to become one of the top Broadcast one-stop shops.

K>post, led by General Manager, Christian Gane, is VTR plc's West London based Commercials facility. As well as working on Vox pops, pitches and commercials, K>post has completed various projects using sound and animatic services not previously undertaken at the facility. We will shortly be adding various additional effects services such Autodesk Flame hardware and software and offering 3D CGI.

Prime Focus London

Prime Focus London (the new brand name that comprises the merged entities of Clear, the hive and VTR Ltd) has emerged after eleven months in the making, as a new post production company providing a high end integrated service for the Advertising, Film and Broadcasting markets.

The year started with several major challenges: the merger of the activities previously carried out in three separate companies with the resultant restructuring, re-engineering and streamlining of processes that was required; the refurbishment of the existing floors at 37 Dean Street to create one unified building over four floors; the re-brand of the merged entity and an increased workload due to PFL winning several major film projects.

We have seen the installation and total upgrade of twelve effects suites comprising state of the art Autodesk 2k compositing systems, which allow the smooth flow of work between suites to improve our efficiencies, and also reduce the time needed by our engineers to look after many different suites working on multiple platforms. We have recently commissioned a Central London first Lustre data grading suite for our growing DI work. In addition, the installation of Thomson's Spirit 4K dramatically improves our high speed scanning capabilities and the installation of a suite of Digital Fusion graphics workstations will satisfy the demands of film and project based visual effects.

Prime Focus London is the Group's Visual Effects specialist facility concentrating on its core strength. It has completed some significant projects in the past period. These included the rebrand of both BBC1 and BBC2 along with notable work for the Edwardian season for our Red Bee clients. Additionally Robbie, Pink, The Scissor Sisters, Gnarl Barkley, Just Jack, Paul McCartney and Faithless have all used our facilities to produce some excellent music promotions. The commercials front has seen quality clients such as Hyundai, Samsung, Hiscox, the Independent, Muller, VW and Rimmel working with us, as well as seeing the first commercials coming in from India, thanks to our new international presence, with several substantial jobs for Fido Dido (7up) and Unitech, which required extensive work from our CG team.

The workload of the computer graphics studio has grown substantially over this last year to feed the increasing hunger for animation and CG based VFX.

Prime Focus London completed a raft of shots for the British zombie thriller 28 Weeks Later as well as completing the whole Digital Intermediate process on the film. Whilst the project was extremely demanding and put significant strain on our nascent film infrastructure and film pipeline (including the Indian end), we completed some of our best work to date, and it helped establish the processes required to work at the top level.

These new found strengths have also been employed to work on two more Feature Films which will complete this Summer. These projects will rely very heavily on the London - India pipeline and as a result of key members of staff relocating to India and some international appointments, the process is now running very smoothly. Once these projects have been completed, proof of the post production global model will have been proved as a concept and we hope to sell this concept to other clients as well.

The collaboration with our sister company, blue post production, to offer the complete post production service from film development to digital or film delivery is also bearing fruit with several projects being run out across both facilities, each process dovetailing with the next. This allows us to be able to turn around projects at a speed other houses cannot compete with hence maximising the budget the client has at their disposal for the project.

This has been a year of change in processes, cost cutting, attitude, facilities and focus. Once the refurbishment and infrastructure modifications are complete we will be able to satisfy the needs of all clients at many price points and really push the global model to the market for films, broadcast and commercials.

Simon Huhtala
Prime Focus London Managing Director

Blue Post Production

blue, the Group's broadcast television specialist facility, has been through an exciting year that has encompassed senior management change, capital investment, integration and consolidation whilst expanding its client base and its reputation for high-end broadcast post production.

blue's profile and reputation for creative work was further enhanced with awards throughout the period with blue providing creative input to seven Gold and eight Silver Promax award-winning projects, five Creative Circle winners, an Aerial award-winning radio commercial and two BAFTA award-winning programmes in the documentary and comedy categories.

Our short-form creative team worked on a number of on-air projects including Elvis: What an Amazing Line-up (BBC Radio 2), The Big Give (five), CSI Vegas (Flextech/Virgin Media TV), NickToons on-air branding (Nickelodeon) and Robin Hood (BBC). They also worked on music promos for Jack Penate (Spit at Stars), Girls Aloud and Sugababes (Walk This Way for Comic Relief).

blue's enviable track record in broadcast programming continued with major, high-profile projects in both factual documentary and drama genres. Projects included Great British Menu (Optomen Television for BBC), Daphne (BBC Arts), The Madness of Boy George (Spun Gold for Channel 4), Nuremberg (3BM for Channel 4) and Freaky Eaters (Betty Television for BBC).

The period has seen significant investment in order to further solidify blue's position as one of Soho's leading broadcast post production houses. The offline editing capacity has been increased from twelve to twenty-six suites, enabling blue to take on larger scale projects, address previous bottlenecks and feed work throughout the rest of the facility.

The investment extended to the audio department where an upgrade to the mixing capabilities of all suites was undertaken in line with a commitment to 5.1 audio mixing, whilst further investment in HD infrastructure and suites was also undertaken to underline blue's focus in catering for the delivery demands of the modern broadcasting landscape.

blue also underwent the integration of sister company TMR (The Machine Room Limited) into its Old Compton Street and Dean Street buildings. The Machine Room had been the Group's duplication, archive and online specialist for over 15 years and brings with it a core experienced operational team and a client base that includes BFI, IWM, IOC, adidas, Getty Images, Tag, RBS 6 Nations, COI and Paramount.

This now allows blue to offer a range of additional services including digital asset management and encoding, video and audio restoration and expansive dedicated duplication facilities, all under the 'blue' banner and complementing the existing post production services. These combined services will not only be presented to new business contacts but will also be up-sold to the existing client base.

blue will now also provide film rushes, synching and treatment by running a facility out of film processing specialist, ILab. This service enables the Group to offer end-to-end services from processing and rushes transfer (within Soho) all the way through to final post production for the broadcast, commercials and feature film markets.

This investment and integration programme has been essential in positioning blue once again as a powerful player in the ever-changing broadcast market and allowing it to provide a wider range of expansive facilities to both domestic and worldwide markets as a standalone company and also in conjunction with sister company, Prime Focus London.

Simon Briggs
Managing Director - blue

VTR plc group outlook

In the last seven months, we have successfully integrated our brands, completed our cost reductions, streamlined our management reporting, completed our first UK/India projects and completely revamped our sales process. This has given the Group a renewed confidence allowing us to compete aggressively for projects locally in the UK, as well as offering a global alternative using the operating structure we have set up using both Indian and UK resources.

I believe the outlook for VTR group is one of stability, excitement, focus and competitiveness. I look forward to updating you on our performance later in the year.

Neil Lane, VTR plc Group Managing Director
June 29 2007

Directors and Advisers

Directors

Neil Lane (Managing Director)
Anshul Doshi (Finance Director)
CHB Mills (Non-executive director)
Nमित Malhotra (Chairman)
Naresh Malhotra (Non-executive director)
Riv Karan Singh Chadha (Non-executive director)

Secretary

Derringtons Limited

Registered Office

64 Dean Street
London W1D 4QQ

Company Number

1694613

Nominated Adviser and Broker

Charles Stanley Securities
25 Luke Street
London EC2A 4AR

Auditors

Sterling
Chartered Accountants
Registered Auditor
505 Pinner Road
Harrow
Middlesex HA2 6EH

Bankers

National Westminster Bank plc
19 Shaftesbury Avenue
London W1A 4QQ

Registrars and Transfer Office

Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Directors' Report

The directors present their report and the audited accounts of the Company and the Group for the seven months ended 31 March 2007

Activities

The principal operation of the Group during the period was the provision of services to the media industry.

Review of the business

During the period the Group made a profit after taxation of £1,001,813 (2006: Loss £2,050,317).

A full operational review of the business is dealt with in the Chairman's Statement and Managing Director's Review.

Key Performance indicators

(a) Sales

Sales on a comparable basis increased by 3% for the period. The majority of the effort in the current period was directed towards cost rationalisation, whilst maintaining sales at a constant level. Prime Focus Limited has set forth an aggressive sales strategy for each individual segment and a dedicated sales team with Group focus has been put into place.

(b) Gross Margin

The gross margin increased to 92% as compared to 90% for the previous year. The main reason for this increase is the controls put in place in respect of the direct costs.

(c) Operating Profit

The profit for the year was a direct result of the various cost reduction strategies put into place during the period. The company has managed to surrender certain of its premises, and other premises are currently being marketed by sales agents. Various other cost rationalisation strategies implemented by Prime Focus Limited are still ongoing.

Principal Risks

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the company. The directors consider the following to be the principal risks faced by the Group:

(a) Key Creative Staff

The Groups performance depends largely on the retention of key creative staff. With the acquisition of Clear, the key creative members of staff have been issued with shares, with a lock in period of 3 years.

(b) Competition

The Group operates in highly competitive markets with several companies, small and large, competing for the same market share. Investment in the latest technology and a reputation of consistently delivering high quality services are a prime asset in the market. Post the acquisition by Prime Focus Limited, the Group has set up a programme for investment in the latest technology to bring the Group up to speed and ahead of competition in terms of technology. The acquisition of Clear has given the Group a pool of creative talent necessary for ensuring consistent delivery of high quality services.

Directors' Report CONTINUED

Directors

The following have been directors of the Company since September 1, 2006:

Neil Lane (Managing director)
Anshul Doshi (Finance director)
CHB Mills (Non-executive director)
Namit Malhotra (Chairman)
Naresh Malhotra (Non-executive director)
Riv Karan Singh Chadha (Non-executive director)

The interests in the shares of the Company of the directors who served during the period were:

	As at 31 March 2007		As at 31 August 2006 (or date of appointment if later)	
	Ordinary Shares	Options	Ordinary Shares	Options
NF Lane	-	-	-	-
CHB Mills	-	-	-	-
Namit Malhotra	-	-	-	-
Naresh Malhotra	-	-	-	-
Anshul Doshi	-	-	-	-
Riv Karan Singh Chadha	-	-	-	-

Director's interests in shares of the parent undertaking, Prime Focus Limited, are disclosed in the accounts of that Company.

The term of appointment for Neil Lane, Anshul Doshi, Namit Malhotra and Naresh Malhotra ended at the Annual General Meeting held on 23 May 2007, but they were subsequently re-appointed at a board meeting held later the same day, and intend to stand for re-election at the next general meeting of the Company.

Substantial shareholdings

As at June 27th, 2007, the Company has had disclosed to it in accordance with Sections 198 to 208 of the Companies Act 1985 the following substantial share interests exceeding 3% in the issued ordinary share capital:

Prime Focus Limited	15,941,051	55.0%
Dixon M H Esq.	2,425,000	8.37%
JO Hambro Capital Management	1,785,000	6.16%
Chase Nominees Ltd	1,177,000	3.85%

Payment of creditors

The Group's policy for the seven months to 31 March 2007 is to agree terms of payment when entering into major business transactions, to ensure that the supplier is aware of these terms, and to abide by the agreed terms of payment.

Trade creditor days, based on creditors at 31 March 2007, were 149 days (2006: 76 days).

Exceptional Items

There were no exceptional items in the current period. (2006: £ 297,735).

The exceptional item in 2006 represented the net cost of redundancies and other expenses relating to a fundamental restructuring of the Group during the year. Exceptional items also included the write off of a £25,000 investment in Busy Buses, a Company which was involved in production and exploitation of media based intellectual property rights. The intellectual property rights no longer have any realisable value.

Directors' Report CONTINUED

Close Company status

The Company is not a close Company within the meaning of Schedule 19 of the Income and Corporation Taxes Act 1988.

Employee involvement

The Group's policy is to encourage employee involvement at all levels as it believes this is essential for the success of the business. The directors have adopted an open management style and encourage communication to give employees the opportunity to contribute on business issues.

The Group does not discriminate against anyone on any grounds. Criteria for selection and promotion are based on the suitability of an applicant for the job. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes of the applicants concerned.

Results

The results for the year are set out in detail on page 19. The directors do not propose the payment of a dividend (2006: Nil)

AIM Listing

During the period, the trading in the Company's shares on the Alternative Investment Market had been suspended, due to delays in submission of accounts, resulting from the restructuring undertaken by the Group. The suspension was lifted and trading in the Company's shares re-commenced from April 19 2007.

International Financial Reporting Standards

The rules of AIM listed companies currently reporting under UK GAAP requires to adopt International Financial Reporting Standards (IFRS) for their annual accounts in respect of accounting periods commencing on or after 1 January 2007. As a result there is no requirement of group to adopt IFRS until the financial year ending 31 March 2008.

The audit committee was briefed regularly on the development of IFRS and the associated International Accounting Standards (IAS) in order that they can manage the transition when it happens.

As well as the different presentation formats the most notable changes for the Group's results are likely to be the increased disclosure generally and in relation to IAS 14 on segmental reporting and IAS 24 on related party transactions.

Political and Charitable contributions

During the period the Group made donations totalling £ Nil (2006: £10,000). There were no political contributions (2006: £ Nil)

Financial Risk Management

The Board regularly reviews the financial requirements of the Group and the risks associated therewith. The Group does not use complicated financial instruments and where financial instruments are used it is for reduced interest or exchange rate risk. The Group does not trade in financial instruments. Group operations are primarily financed from equity funds raised, retained earnings and bank borrowings (including overdraft facilities). In addition to the primary financial instruments, the Group also has other financial instruments such as debtors, prepayments, trade creditors and accruals that arise directly from the Group's operations. Further information is provided in note 16 to the financial statements.

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Directors' Report CONTINUED

Auditors

Baker Tilly UK Audit LLP, the past auditors of the company resigned at the last Annual General Meeting, held on May 23 2007, and Sterling were appointed as auditors of the company at the said Annual General Meeting.

By Order of the Board

Anshul Doshi
Director
June 29 2007

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

They are responsible for ensuring that the annual report includes information required by the AIM Rules of the Financial Services Authority (or Listing Rules).

Report of the Remuneration Committee

Remuneration policy

The Company's remuneration policy is to attract, motivate and retain quality management through offering competitive salary and benefit packages.

Remuneration committee

The remuneration of the executive directors is determined by the remuneration committee all of whom are non-executive directors: CHB Mills (Chairman) and Riv Karan Singh Chadha.

The committee meets at least once a year.

Directors' service agreements

Only Mr. Neil Lane, executive director has a permanent rolling service agreement with the Company, the details of which are:-

	Current contract dated	Notice period
Neil Lane	7 September 1999	Six months

The non-executive directors do not have a service agreement and their remuneration continues to be determined by the Board with the non-executive directors abstaining. In accordance with Regulation 85 of the Company's Articles of Association one third of the non-executive directors retire each year and are eligible for re-election at the Company's Annual General Meeting.

The other executive directors who are part of the parent company Prime Focus Limited, have still not entered into permanent service agreements with the Company and a plan is currently being formulated in this respect, which will be presented to the remuneration committee at the board meeting following the extra-ordinary General meeting.

Directors' emoluments

	2007 (7 months)					2006 (12 months)					
	Salary and Fees	Benefits in kind	Total Emoluments	Pension Costs	Total	Salary and Fees	Compensation for loss of office	Benefits in kind	Total Emoluments	Pension Costs	Total
	£	£	£	£	£	£	£	£	£	£	£
PA Lovegrove (Resigned on 28/04/2006)	-	-	-	-	-	10,000	-	-	10,000	-	10,000
PCN Tracey (Resigned on 31/08/2006)	-	-	-	-	-	132,750	54,000	15,955	148,705	22,349	171,054
NF Lane	64,167	866	65,033	9,625	74,658	18,333	-	223	18,556	2,750	21,306
PA Samengo-Turner (Resigned on 03/07/2006)	-	-	-	-	-	130,375	-	995	131,370	19,875	151,245
JP Dukes (Resigned on 30/03/2006)	-	-	-	-	-	30,313	-	-	30,313	-	30,313
CHB Mills	4,666	-	4,666	-	4,666	8,000	-	-	8,000	-	8,000
	68,833	866	69,699	9,625	79,324	368,288	54,000	15,606	437,894	57,467	495,361

Mr. Namit Malhotra, Mr. Anshul Doshi, Mr. Naresh Malhotra and Mr. Riv Karan Singh Chadha did not receive any emoluments during the period:

Report of the Remuneration Committee (Continued)

The main components of the executive directors' remuneration are:

Salary – the basic salary of each director is determined by taking into account the director's experience, responsibility, value to the organisation and market value. There is no bonus scheme.

Benefits in kind – benefits include medical and life assurance, company car and travel allowance where applicable.

Compensation for loss of office – total compensation for loss of office in the current year amounted to Nil (2006: £54,000)

Pension costs - pension contributions for the directors are based on a percentage of their total remuneration. This is currently 15% for the Group Managing Director.

None of the current directors at the date of this report have any interests in the shares of the Company.

At 31 March 2007 there were no outstanding directors share options.

The mid market price of the Group's shares at the end of the financial period was 27.5p (price as on February 27 2007, the last trading day before the trading in the shares was suspended). During the year, the share price ranged from 25.0p to 33.45p.

Mr. CHB Mills
Chairman
Remuneration Committee
June 29 2007

Statement of Corporate Governance

Principles of corporate governance

The Company's board of directors appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. It believes that corporate governance involves more than a simple "box ticking" approach to establish whether a Company has met the requirements of a number of specific rules and regulations. Rather the issue is one of applying corporate governance principles (including those set out in the Corporate Governance Guidelines for AIM companies published by the Quoted Companies' Alliance in July 2005) in a sensible and pragmatic fashion having regard to the individual circumstances of the Group's business. The key objective is to enhance and protect shareholder value.

Directors

The directors believe it essential that the Group should be led and controlled by an effective Board. To this end, regular board meetings were held during the year and the Board received a steady flow of information to enable it to discharge its duties. There is a formal schedule of matters reserved for the Board's decision and all directors have access to independent advice paid for by the Company.

The Board currently comprises three executive directors and three non-executive directors.

To facilitate the smooth running of its operations, the Board has established the following committees which enable it to review the effectiveness of the Group's system of internal controls.

The Audit Committee meets not less than twice a year and assists the Board in reviewing financial internal control systems. The committee, comprises the non-executive directors and is responsible for ensuring that the financial performance, position and prospects of the Group are properly maintained and reported. The committee also meets with the auditors and reviews their reports relating to the accounts and internal controls of the Group.

The Remuneration Committee, which comprises the non-executive directors, meets as required and determines the Group's policy on executive directors remuneration, including annual salary, pension entitlement, grant of share options and bonus awards. The committee consults with the managing director and has access to professional advice if required. A full report of the remuneration committee is on page 13.

Key controls, procedures and risk management

The Board maintained full control and direction over appropriate strategic, financial, organisational, compliance and risk issues during the year, and has put in place an organisational structure with defined lines of responsibility and delegation of authority.

The annual budgets are reviewed by the Board prior to approval being given. This includes the identification and assessment of the business risks inherent in the Group and the media sector as a whole, along with associated financial risks.

The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material mis-statement or loss. The key procedures include:

- Budgeting programme with an annual budget approved by the Board;
- Regular review by the Board of actual results compared with budgets and forecasts;
- Regular review by the Board of debtors and cash flows; and
- Appointing experienced and suitably qualified staff to take responsibility for key business functions to ensure maintenance of high standards of performance.

The Group does not have a separate internal audit function.

Auditor independence

The Audit committee undertakes a formal assessment of the auditor's independence each year and obtains written confirmation from the auditors that, in their professional judgement, they are independent.

Statement of Corporate Governance (Continued)

Relations with shareholders

The Managing Director and the Finance Director are the Company's principal spokespeople with investors, fund managers, the press and other interested parties. At the Annual General meeting, investors are given the opportunity to question the entire board.

Going Concern

Having made appropriate enquiries and having examined the major areas which could affect the Group's financial position, the directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to adopt the going concern basis in preparing the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VTR PLC

We have audited the financial statements on pages 19 to 40.

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 applicable law and United Kingdom 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. We also 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, the Chairman's Statement, the Managing Director's Review, the Corporate Governance Statement and the Remuneration Report. 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, except that the scope of our work was limited as explained below.

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 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 misstatements, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because we were appointed auditors on 23 May 2007 and in consequence we were unable to carry out auditing procedures necessary to obtain adequate assurance on the opening balances appearing on the group's and company's balance sheet as at 31 August 2006. This was despite the fact numerous requests were made for the release of information from our predecessors.

In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

Because of the significance of the above matter in relation to the results of the company's operation for the period to 31 March 2007, we are not in a position, and do not express an opinion on the results of the group's operations for the period then ended.

In our opinion, the balance sheet gives a true and fair view of the financial position of the company as at 31 March 2007 and have been properly prepared in accordance with the Companies Act 1985 and information given in the Directors' Report is consistent with the financial statement.

In respect solely of the limitation of our work relating to the opening balances:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.

Sterling

Chartered Accountants
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June 29, 2007

Consolidated Profit and Loss Account
FOR THE SEVEN MONTH PERIOD ENDED 31 MARCH 2007

	Note	September 1 2006 to March 31 2007	2006
		£	£
Turnover	1(b) & 2(a)	10,604,289	17,692,273
Cost of sales		(798,731)	(1,805,211)
Gross profit		9,805,558	15,887,062
Administrative expenses		(8,564,454)	(17,419,373)
Operating Profit / (Loss)		1,241,104	(1,532,311)
Exceptional item – fundamental Group restructuring	3(c)	-	(297,735)
Interest receivable		12,894	32,799
Interest payable and similar charges	3(b)	(249,689)	(444,559)
Profit/ (Loss) on ordinary activities before taxation	2(b) &	1,004,309	(2,241,806)
Prior periods tax adjustment / (Tax credit on loss on ordinary activities)	5	2,496	191,489
Profit / (Loss) for the year	19(c)	1,001,813	(2,050,317)
Basic and diluted profit / (loss) per share		3.6 p	(12.8) p

Turnover and operating results are derived from the Group's continuing operations.

Consolidated Balance Sheet AS AT 31 MARCH 2007

	Notes		31 March 2007		31 August 2006
		£	£	£	£
Fixed assets					
Intangible assets	9(b)		1,395,748		1,437,861
Tangible assets	9(a)		10,881,362		9,154,690
Investments	10		258,980		58,980
			12,536,090		10,651,531
Current assets					
Stock	11	26,632		31,436	
Debtors	12	6,484,442		5,641,700	
Cash at bank and in hand		144,503		588,488	
		6,655,577		6,261,624	
Creditors: amounts falling due within one year					
Bank loans and overdrafts	13	1,643,356		2,777,037	
Hire purchase creditors	15(b)	740,256		1,194,445	
Trade and other creditors	14	5,359,278		3,353,443	
Corporation tax		37,988		47,489	
		7,780,878		7,372,414	
Net current liabilities			(1,125,301)		(1,110,790)
Total assets less current liabilities			11,410,789		9,540,741
Creditors: amounts falling due after more than one year	15(a)		(1,318,892)		(450,657)
Provisions for liabilities	17		(637,545)		(637,545)
			9,454,352		8,452,539
Capital and reserves					
Share capital	18		1,387,814		1,387,814
Share premium account	19(a)		8,556,624		8,556,624
Capital redemption reserve	19(b)		270,000		270,000
Profit and loss account	19(c)		(760,086)		(1,761,899)
Funds attributable to equity shareholders			9,454,352		8,452,539

Neil Lane)
Anshul Doshi) Directors

The accounts were approved by the Board of Directors and authorised for issue on 29 June 2007. The notes on pages 25 to 40 form part of these accounts.

Company Balance Sheet AT 31 MARCH 2007

	Notes		31 March 2007		31 August 2006
		£	£	£	£
Fixed assets					
Tangible assets	9(a)		4,367,150		2,917,866
Investments	10		6,402,767		6,202,767
			10,769,917		9,120,633
Current assets					
Debtors	12	21,315,667		19,790,299	
Cash at Bank		102,864		661,603	
		21,418,531		20,451,902	
Creditors: amounts falling due within one year					
Bank loans and overdrafts	13 & 15(b)	0		1,156,186	
Hire purchase creditors	15(b)	650,541		1,063,433	
Trade and other creditors	14	15,779,845		12,491,570	
Corporation tax		0		-	
		16,430,386		14,711,189	
Net current assets			4,988,145		5,740,713
Total assets less current liabilities			15,758,062		14,861,346
Creditors: amounts falling due after more than one year	15(a)		(1,318,892)		(450,657)
Provisions for liabilities	17		(756,567)		(756,567)
			13,682,603		13,654,122
Capital and reserves					
Share capital	18		1,387,814		1,387,814
Share premium account	19(a)		8,556,624		8,556,624
Capital redemption reserve	19(b)		270,000		270,000
Merger reserve			729,160		729,160
Profit and loss account	19(c)		2,739,005		2,710,524
Funds attributable to equity shareholders			13,682,603		13,654,122

Neil Lane)
Anshul Doshi) Directors

The accounts were approved by the Board of Directors and authorised for issue on 29 June 2007. The notes on pages 25 to 40 form part of these accounts.

Consolidated Cash Flow Statement

FOR THE SEVEN MONTH PERIOD ENDED 31 MARCH 2007

	Notes	2007	2006
		£	£
Net cash flow from operating activities	A	3,242,607	(433,874)
Returns on investments and servicing of finance	B	(236,795)	(411,760)
Taxation		(2,495)	(25,807)
Capital expenditure and financial investment	B	(2,727,665)	(327,592)
Acquisitions (note 9(c))	B	<u>0</u>	<u>(403,604)</u>
Cash (outflow) / inflow before financing		<u>275,652</u>	<u>(1,602,637)</u>
Financing	B	(719,637)	2,510,557
Increase in cash in the year		<u>(443,985)</u>	<u>907,920</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the year		(443,985)	907,920
Cash flow from decrease in debt and lease financing	B	<u>719,637</u>	<u>1,820,372</u>
Change in net debt resulting from cash flows		<u>275,652</u>	<u>2,728,292</u>
Loans and finance leases acquired with subsidiary	C	-	(321,618)
New hire purchase agreements	C	<u>-</u>	<u>(467,110)</u>
Movement in net debt in the year		<u>275,652</u>	<u>1,939,564</u>
Net debt at 1 September 2006		<u>(3,833,651)</u>	<u>(5,773,215)</u>
Net debt at 31 August 2006	C	<u>3,557,999</u>	<u>(3,833,651)</u>

Notes to the Consolidated Cash Flow Statement FOR THE SEVEN MONTH PERIOD ENDED 31 MARCH 2007

A Reconciliation of operating loss to net cash (outflow)/inflow from operating activities	2007	2006
	£	£
Operating loss	1,241,104	(1,532,311)
Depreciation	791,860	2,813,241
Profit on disposal of tangible fixed assets	9,142	(122,348)
(Increase) / Decrease in debtors	(872,743)	(860,804)
Decrease in creditors	2,026,327	(459,398)
Exceptional items	-	(297,735)
(Increase) / Decrease in stock	4,804	(5,535)
Investment impairment	42,113	25,000
Amortisation of goodwill		6,016
	<u>3,242,607</u>	<u>(433,874)</u>
 B Analysis of cash flows for headings netted in the cash flow		
Returns on investments and servicing of finance		
Interest received	12,894	32,799
Interest paid	(163,904)	(325,202)
Interest element of hire purchase payments	(85,785)	(119,357)
Net cash outflow for returns on investments and servicing of finance	<u>(236,795)</u>	<u>(411,760)</u>
 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,527,665)	(470,269)
Purchase of Investment	(200,000)	0
Sale of tangible fixed assets	0	142,677
Net cash outflow for capital expenditure and financial investment	<u>(2,727,665)</u>	<u>(327,592)</u>
 Financing		
Net proceeds from the issue of shares		4,330,929
Debt due within one year		
Increase in short term borrowings	16,318	
Capital element of hire purchase payments	(735,955)	(1,820,372)
Net cash outflow from financing	<u>(719,637)</u>	<u>2,510,557</u>
 Acquisitions		
Purchase of subsidiary undertaking	0	(300,686)
Expenses to acquire subsidiary undertaking	0	(110,000)
Cash acquired with subsidiary	0	7,082
	<u>0</u>	<u>(403,604)</u>

C Analysis of net debt	At 1 September 2006	Cash flow	Other non Cash Changes	At 31 March 2007
	£	£	£	£
Cash in hand, at bank	588,488	(443,985)	-	144,503
Bank loans	(2,777,037)	(16,318)	1,150,000	(1,643,355)
	(2,188,549)	(460,303)	1,150,000	(1,498,852)
Debt due after 1 year	-	-	(1,150,000)	(1,150,000)
Hire purchase obligations	(1,645,102)	735,955	-	(909,147)
Total	<u>(3,833,651)</u>	<u>275,652</u>	<u>-</u>	<u>(3,557,999)</u>

Notes to the Consolidated Cash Flow Statement (cont'd) FOR THE SEVEN MONTH PERIOD ENDED 31 MARCH 2007

D Major non-cash transactions

During the period the Group entered into hire purchase arrangements in respect of assets with a total capital value at the inception of the agreements of £Nil (2006: £467,110).

Consolidated Statement of Total Recognised Gains and Losses

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Reconciliation of Movements in Shareholders' Funds

	September 1 2006 to March 31, 2007	2006
	£	£
Profit / (Loss) for the financial year	1,001,813	(2,050,317)
New share capital subscribed	-	5,321,269
Net movement in shareholders' funds	1,001,813	3,270,952
Shareholders' funds at 1 September 2006	8,452,539	5,181,587
Shareholders' funds at 31 March 2007	9,454,352	8,452,539

Notes to the Accounts

31 MARCH 2007

1. Accounting policies

(a) *Basis of accounting and consolidation*

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

The consolidated financial statements incorporate those of VTR plc and all its subsidiary undertakings. All financial statements are made up for the period ended 31 March 2007.

(b) *Turnover*

Turnover represents the value of services provided (based on the percentage of completion) and the invoiced value of goods sold to third party customers. Turnover excludes value added tax.

(c) *Depreciation*

In the current period, the group changed the method by which the group depreciated its fixed assets excluding leasehold properties. Previously, all fixed assets excluding leasehold properties, were depreciated on a straight-line basis over a period of three to ten years. The revised method is to depreciate the fixed assets excluding leaseholds on a reducing balance method at rates stated below.

The above change was due to the fact that Prime Focus Limited acquired the company's majority shareholding and accordingly the group's depreciation rates have been changed to align with rates as recorded by the group's parent company.

The effect of the change in the method of depreciating fixed assets excluding leaseholds was a net reduction in the total depreciation charge for the period of £ 761,031.

Tangible fixed assets other than Leasehold properties are stated at cost and written off on a reducing balance method from the point at which they are brought into use at the following rates

Equipment	13.91%
Fixtures and fittings	18.10%
Motor vehicles	25.89%

Leasehold properties are depreciated on a straight line basis over the unexpired period of the lease

(d) *Intangible Assets*

Goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised and written off evenly over 20 years as in the opinion of the directors this represents the period over which the goodwill is effective.

(e) *Hire purchase and leased assets*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are operating leases which have annual rentals charged to the profit and loss on a straight line basis over the lease term.

(f) *Investments*

Long term investments are classified as fixed assets.

All investments are stated at cost. Provision is made for any impairment in the value of fixed asset investments.

(g) *Stock*

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

Notes to the Accounts

31 MARCH 2007

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(h) *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred.

Timing differences are differences between the Group's taxable results and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

(i) *Pensions*

The Group operates a defined contribution pension scheme for executive directors. The assets are held separately from the Group in an independently administered fund.

The costs of providing pensions for the executive directors charged in the profit and loss account are the amounts payable in respect of the accounting period.

(j) *Foreign currencies*

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

(k) *Financial instruments*

In line with Financial Reporting Standard 13, note 16 of these financial statements includes additional disclosure on 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. There have been no changes in the policies adopted by the Group since the previous year end and after the balance sheet date. This position is reviewed by management on an on-going basis.

(l) *Going concern*

Although the Group has net current liabilities, the directors, having reviewed the Group's budget for the year ended 31 March 2008, are confident that the Group has adequate financial resources to continue in operational existence for the foreseeable future. The directors have, therefore, continued to adopt the going concern basis in preparing the accounts.

(m) *International Financial Reporting Standards*

The rules of AIM listed companies currently reporting under UK GAAP requires to adopt International Financial Reporting Standards (IFRS) for their annual accounts in respect of accounting periods commencing on or after 1st January 2007. As a result there is no requirement of group to adopt IFRS until the financial year ending 31 March 2008.

The audit committee has been briefed regularly on the development of IFRS and the associated International Accounting Standards (IAS) in order that they can manage the transition when it happens.

(n) *Accounting Reference Date*

On 15th May 2007, the company changed its accounting reference date to 31 March 2007. These accounts comprise accounting figures for the period from 1st September 2006 to 31 March 2007. The Comparative figures reflect the result for twelve months to 31 August 2006.

Notes to the Accounts
31 MARCH 2007
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2. Segmental Reporting

(a) Turnover by geographical markets

	September 1 2006 to March 31 2007	2006
	£	£
United Kingdom	9,932,013	16,954,689
Rest of Europe	592,170	470,495
Other	80,106	267,089
	<hr/>	<hr/>
Total	10,604,289	17,692,273

(b) Profit / (Loss) before taxation by geographical markets

United Kingdom	940,639	(2,148,346)
Rest of Europe	56,083	(59,617)
Other	7,587	(33,843)
	<hr/>	<hr/>
Total	1,004,309	(2,241,806)

Turnover to third parties by geographical destination is not materially different from geographical split by origin shown above.

(c) Net asset by geographical markets

	2007	2006
	£	£
United Kingdom	9,343,927	8,334,539
Other	108,425	118,000
	<hr/>	<hr/>
Total	9,452,352	8,452,539

3. Profit / (Loss) on ordinary activities before taxation

(a) Profit / (Loss) on ordinary activities before taxation is stated after charging/(crediting):

	September 1 2006 to March 31 2007	2006
	£	£
Depreciation charge for the period:		
Owned assets	618,613	1,887,290
Leased assets	173,247	925,951
	<hr/>	<hr/>
Total depreciation	791,860	2,813,241
(Profit)/Loss on disposal of fixed assets	9,141	(122,348)
Goodwill amortisation	42,113	6,016
Operating lease rentals:		
Plant and Machinery	22,785	242,833
Others	702,871	1,373,362
Amounts payable to Sterling CA for both audit and non audit fees		
Statutory audit	35,000	40,000
Further assurance services - tax compliance	15,000	30,000
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Accounts
31 MARCH 2007
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(b) Interest payable and similar charges:

	September 1 2006 to March 31 2007	2006
Bank loans and overdrafts	163,904	325,202
Hire purchase agreements	85,785	119,357
	<u>249,689</u>	<u>444,559</u>

(c) Exceptional item

There were no exceptional items for the seven months period ended March 31 2007.

The exceptional item in 2006 represented the net cost of redundancies and other expenses relating to a fundamental restructuring of the Group during the year. Exceptional items also include the write off of a £25,000 investment in Busy Buses, a Company which was involved in production and exploitation of media based intellectual property rights. The intellectual property rights have no realisable value any more.

4. Employees

The average monthly number of employees (including directors) during the year was as follows:

	September 1 2006 to March 31 2007	Group 2006	September 1 2006 to March 31 2007	Company 2006
	Number	Number	Number	Number
Production	200	227	-	-
Administration	31	46	4	4
	<u>231</u>	<u>273</u>	<u>4</u>	<u>4</u>

Staff costs for the above persons amounted to:

	September 1 2006 to March 31 2007	2006
	£	£
Wages and salaries	4,936,386	8,898,468
Social security costs	509,041	946,346
Pension costs	9,625	64,148
	<u>5,455,052</u>	<u>9,908,962</u>
Directors' remuneration consisted of:		
Aggregate emoluments	69,699	383,894
Compensation for loss of office	-	54,000
Pension contributions	9,625	57,467
	<u>79,324</u>	<u>495,361</u>

Notes to the Accounts
31 MARCH 2007
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	September 1 2006 to March 31 2007	2006
	Number	Number
Number of directors to whom retirement benefits are accruing under the defined contribution pension schemes	<u>1</u>	<u>1</u>
Highest paid director:	£	£
Aggregate emoluments	65,033	139,127
Compensation for loss of office	-	54,000
Pension contributions	9,625	22,611
	<u>74,658</u>	<u>215,738</u>
5. Taxation		
	1 September 2006 to March 31 2007	2006
	£	£
UK Corporation tax:		
Current tax on loss for the period	-	(9,502)
Adjustments in respect of prior periods	2,496	(97,951)
	<u>2,496</u>	<u>(107,453)</u>
Total current tax		
Deferred tax:		
Origination and reversal of timing differences	-	(84,036)
	<u>-</u>	<u>(84,036)</u>
Total deferred tax		
	<u>-</u>	<u>(84,036)</u>
Tax on loss on ordinary activities	<u>2,496</u>	<u>(191,489)</u>

Notes to the Accounts

31 MARCH 2007

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Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit / (loss) on ordinary activities before tax	<u>1,004,309</u>	<u>(2,241,806)</u>
Profit / (loss) on ordinary activities (excluding exception items) multiplied by the standard rate of corporation tax in the UK of 30% (2006 – 30%).	310,293	(672,542)
Effects of:		
Expenses not deductible for tax purposes		
- Ordinary Activities	34,500	107,679
- Exceptional Items and Other timing differences	-	(14,376)
Depreciation in excess of capital allowances	(344,793)	121,889
Losses not utilised	-	442,348
Difference in corporation tax rate	-	5,500
Adjustment to tax charge in respect of previous periods	<u>2,496</u>	<u>(97,951)</u>
Current tax credit for the period	<u>2,496</u>	<u>(107,453)</u>

6. Profit for the period

As permitted by S.230(3) Companies Act 1985, VTR plc has not presented its own profit and loss account. Profit of £28,482 after tax (2006: profit £739,253) has been dealt with in the accounts of the parent Company.

7. Dividends

No dividend has been declared for the current period (2006: £Nil)

8. Loss per share

Basic and diluted loss per share is based on a profit of £1,001,813 (2006: loss £ 2,050,317) and 27,756,276 (2006: 15,985,984) weighted average number of ordinary 5p shares in issue during the period.

The outstanding share options, do not give rise to any dilution and therefore the basic and diluted loss per share are the same.

Notes to the Accounts
31 MARCH 2007
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9. (a) Tangible fixed assets

	Short		Equipment,	
	leasehold	Motor	fixtures and	
GROUP	premises	Vehicles	fittings	Total
	£	£	£	£
COST				
At 1 September 2006	4,409,639	68,840	26,883,389	31,361,868
Additions	-	-	2,527,666	2,527,666
Disposals	-	(28,840)	-	(28,840)
At 31 March 2007	4,409,639	40,000	29,411,055	33,860,694
DEPRECIATION				
At 1 September 2006	2,107,304	19,706	20,080,168	22,207,178
Charge for the year	149,949	6,015	635,896	791,860
Disposals	-	(19,706)	-	(19,706)
At 31 March 2007	2,257,253	6,015	20,716,064	22,979,332
Net Book Value at 31 March 2007	2,152,386	33,985	8,694,991	10,881,362
Net Book Value at 31 August 2006	2,302,335	49,134	6,803,221	9,154,690

The net book value of equipment, furniture and fittings includes an amount of £1,971,125 (2006 £2,160,970) in respect of assets held under hire purchase agreements. The charge for depreciation for the year on these assets was £173,247 (2006 £ 925,951).

Notes to the Accounts
31 MARCH 2007
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9. (a) Tangible fixed assets (cont'd)

	Short leasehold premises	Motor Vehicles	Equipment, fixtures and fittings	Total
COMPANY	£	£	£	£
COST				
At 1 September 2006	4409639	68840	1419721	5898200
Additions	-	-	1,710,617	1,710,617
Disposals	-	(28,840)	-	(28,840)
At 31 March 2007	4,409,639	40,000	3,130,338	7,579,977
DEPRECIATION				
At 1 September 2006	2107304	19706	853324	2980334
Charge for the year	149,949	6,015	96,235	252,199
Disposals	-	(19,706)	-	(19,706)
At 31 March 2007	2,257,253	6,015	949,559	3,212,827
Net Book Value at 31 March 2007	2,152,386	33,985	2,180,779	4,367,150
Net Book Value at 31 August 2006	2,302,335	49,134	566,397	2,917,866

The net book value of equipment, furniture and fittings includes an amount of £136,416 (2006 £148,408) in respect of assets held under hire purchase agreements.

Notes to the Accounts
31 MARCH 2007
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9. (b) Intangible fixed assets

	Group	Group
	Goodwill	Total
	£	£
Cost		
At 1 September 2006 and at 31 March 2007	1,443,877	1,443,877
Amortisation		
At 1 September 2006	6,016	6,016
Charge for the year	42,113	42,113
At 31 March 2007	48,129	48,129
Net Book Value at 31 March 2007	1,395,748	1,395,748
Net Book Value at 31 August 2006	1,437,861	1,437,861

Notes to the Accounts
31 MARCH 2007
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10. Fixed asset investments

Group	Participating interest
Cost	£
At 1 September 2006	108,980
Additions	200,000
At 31 March 2007	308,980
Amounts written off:	£
At 1 September 2006	50,000
Charged in the year	-
At 31 March 2007	50,000
Net book value:	
At 31 March 2007	258,980
At 31 August 2006	58,980

The Company, through its wholly owned subsidiary, VTR Media Investments owns 1,750,000 ordinary shares of 1p each in Music Copyright Solutions Plc, a company incorporated in England and Wales. This company is listed on the Alternative Investment Market (AIM). The market value of these shares at 31 March 2007 was £437,500.

Company	Investments in subsidiary undertakings	Loans to subsidiary undertakings	Other Investments	Total
Cost	£	£	£	£
At 1 September 2006	2,202,767	4,000,000	-	6,202,767
Additions	-	-	200,000	200,000
At 31 March 2007	2,202,767	4,000,000	2,00,000	6,402,767

Principal subsidiary undertakings are as follows:

Subsidiary undertaking	Country of registration and operation	Class of holding	Proportion held	Nature of business
Clear (Post Production) Limited	England	Ordinary	100%	Post production of television commercials
Video Tape Recording Limited	England	Ordinary	100%	Post production of television commercials
blue post production limited	England	Ordinary	100%	Broadcast post production
The Machine Room Limited	England	Ordinary	100%	Film transfers, video mastering & DVD
VTR Media Investments Limited	England	Ordinary	100%	Media investments
The Hive Animation Limited	England	Ordinary	100%	Post production services
Clipstream Limited	England	Ordinary	100%	Digital content management
K<POST Limited	England	Ordinary	100%	Post production of television commercials
United Sound & Vision Limited	England	Ordinary	100%	Post production of television commercials
Participating Interest	Country of registration and operation	Class of holding	Proportion held	Nature of business
VTR North Limited	England	Ordinary	19%	Post production of television commercials
VTR Beirut	Beirut	Ordinary	26%	Post production of television commercials
Petrol Digital Media Limited	England	Ordinary	49%	DVD Mastering & Authoring

Notes to the Accounts
31 MARCH 2007
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The company does not have any financial information in respect of VTR North Limited, VTR Beirut and Petrol Digital Media Limited and therefore the results of these associated companies have not been incorporated within the group accounts.

11. Stock

	2007	Group 2006	2007	Company 2006
	£	£	£	£
Tapes and cassettes	26,632	31,436	-	-

12. Debtors

	2007	Group 2006	2007	Company 2006
	£	£	£	£
Trade debtors	5,977,724	2,988,144	57,637	-
Amounts due from related party undertaking	-	344,433	20,950,509	18,050,257
Prepayments, Vat and Others	506,718	2,309,123	307,521	1,740,042
	<u>6,485,342</u>	<u>5,641,700</u>	<u>21,315,667</u>	<u>19,790,299</u>

13. Bank loans and overdrafts

	2007	Group 2006	2007	Company 2006
	£	£	£	£
Bank loans and overdrafts	1,643,356	2,777,037	1,150,000	1,156,186

The bank loans are secured by a fixed and floating charge over the assets of the Group. The maximum facility available is up to a limit of £4.5m (2006: £4.5m). Interest is charged at 1.6% (2006: 1.6%) above the HSBC base rate.

14. Trade and other creditors

	2007	Group 2006	2007	Company 2006
	£	£	£	£
Trade creditors	2,682,220	1,269,955	1,008,532	-
Amounts due to subsidiary undertakings	181,078	-	14,573,553	11,930,387
Other taxation and social security	2,260,851	1,152,082	88,720	305,687
Accruals and deferred income	235,129	931,406	109,040	255,496
	<u>5,359,278</u>	<u>3,353,443</u>	<u>15,779,845</u>	<u>12,491,570</u>

Notes to the Accounts

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15. (a) Creditors: amounts falling due after more than one year

	2007	Group 2006	2007	Company 2006
	£	£	£	£
Bank loan	1,150,000	-	1,150,000	-
Hire purchase obligations	168,892	450,657	168,892	450,657
	<u>1,318,892</u>	<u>450,657</u>	<u>1,318,892</u>	<u>450,657</u>

(b) Borrowings

Analysis of debt maturity

Repayable within one year:

Bank loans and overdrafts	1,643,356	2,777,037	-	1,156,186
Hire purchase obligations	740,256	1,194,445	650,541	1,063,433
	<u>2,383,612</u>	<u>3,971,482</u>	<u>650,541</u>	<u>2,219,619</u>

Repayable between one to two years:

Bank Loan	-	-	-	-
Hire purchase obligations	168,892	428,367	168,892	428,367

Repayable between two to five years:

Bank loan	1,150,000	-	1,150,000	-
Hire purchase obligations	-	22,290	-	22,290
	<u>1,318,892</u>	<u>450,657</u>	<u>1,318,892</u>	<u>450,657</u>

16. Financial instruments

The Group's financial instruments principally comprise borrowings, cash at bank and various items such as trade debtors and creditors that arise directly from operations. The main purpose of these financial instruments is to raise money for the Group's operations.

Where exchange risk is perceived the Group considers its exposure and uses financial instruments to reduce this risk. As at 31 March 2007 the Group did not have any financial instruments in place.

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures

a) Financial Assets

There is no material difference between book value and fair value of the Group's financial assets

	2007	2006
	£	£
Cash at bank and in hand – variable rate of interest	144,503	<u>588,488</u>

Interest accrues on the bank's overnight rate.

Notes to the Accounts
31 MARCH 2007
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(b) Financial Liabilities

	2007 £	2006 £
Bank loans and overdrafts	2,793,356	2,777,037
Hire purchase creditors	909,148	1,645,102
	Fixed Rate	Floating Rate
	£	£
	Non-interest bearing	Total
	£	£
Sterling	(909,148)	(2,793,356)
	-	(3,702,503)
Total	(909,148)	(2,793,356)
	-	(3,702,503)

	Average interest rate (%) of fixed rate financial liabilities	Average months to maturity of fixed liabilities
Sterling	8.49%	11

(c) Borrowing Facilities

The Group has borrowing facilities available at 31 March 2007 of £4,500,000 (2006: £4,500,000).
At 31 March 2007 £1,706,644 remained undrawn.

(d) Currency exposures

The Group's exposure to movements in foreign currency exchange rates is primarily related to sales. The majority of foreign invoices are raised and paid in Sterling. Only 6% (2006: 4%) of sales are to clients based outside the United Kingdom.

(e) Interest and liquidity risk management

At 31 March 2007 the Group's fixed rate financial liabilities are hire purchase obligations. The floating rate facilities are the bank loans, which incur floating rate interest based on 1.6% (2006: 1.6%) above the HSBC base rate. Full details of both fixed and floating rate liabilities are included in note 16 (b) to these accounts.

(f) Fair value

There is no material difference between the fair value of borrowings and other financial instruments and their book value at the balance sheet date.

17. Provision for liabilities

	2007 £	Group 2006 £	2007 £	Company 2006 £
Discounted contingent consideration	530,950	530,950	530,950	530,950
Deferred taxation	106,595	106,595	225,617	225,617
Total	637,545	637,545	756,567	756,567

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Discounted contingent consideration:

	Group and Company	
	2007	2006
	£	£
Difference in bid price and guarantee price of shares issued to vendors of Clear (Post Production) Limited	600,500	600,500
Discounting for two years at Company's cost of capital (base rate+1.6%)	6.35%	6.35%
Discounted contingent consideration	530,950	530,950

As a part of the acquisition of Clear (Post Production) Limited, Prime Focus Limited, the parent company gave a guarantee to the vendors that VTR's ordinary shares will have a mean closing bid price of not less than 60 pence per share over the three month period ending on 25 July 2008, being two years from completion of the acquisition. In consideration of the guarantee, VTR has agreed subject to the approval of the shareholders at the Annual General Meeting, to issue 1,225,000 new equity shares to Prime Focus Limited. Therefore as on the date of this Balance Sheet, the discounted value of the guarantee is £530,950

The movement on the deferred taxation provision was:

	Group	Company
	£	£
Balance at 1 September 2006	106,595	225,617
Acquired on acquisition of Clear (Post Production) Limited	-	-
(Credited) / charged to profit and loss account	-	-
At 31 March 2007	106,595	225,617

The liability disclosed above relates primarily to accelerated capital allowances

The Group has substantial tax losses from the previous accounting period and together with the availability of capital allowances, the directors are of the opinion that provision for taxation is not necessary.

18. Share capital

	Group and Company	
	2007	2006
	£	£
Authorised:		
50,000,000 ordinary shares of 5p each	2,500,000	2,500,000
	£	Number
Allotted and fully paid:		
Ordinary shares		
At 1 September 2006 and March 31 2007	1,387,814	27,756,276

All the share options of the Company as on the date of this Balance Sheet have lapsed. There are no further share options which remain exercisable.

On 23 May 2007, the company allotted 1,225,000 ordinary shares of 5p each to Prime Focus Limited for providing a guarantee under a share purchase agreement dated 21 July 2006 in respect of the purchase by the company of the entire issued share capital of Clear (Post Production) Limited, This allotment was approved at the last Annual General Meeting.

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19. Reserves

	Group and Company	
	2007	2006
	£	£
a) Share premium account		
At 1 September 2006	8,556,624	4,071,241
Premium on allotment during the year	-	4,485,383
At 31 March 2007	<u>8,556,624</u>	<u>8,556,624</u>
b) Capital redemption reserve		
At 1 September 2006 and 31 March 2007	<u>270,000</u>	<u>270,000</u>
c) Profit and loss account		
	Group	Company
	£	£
At 1 September 2006	(1,761,899)	2,710,524
Profit / (Loss) for the financial year after taxation	1,001,813	28,482
At 31 March 2007	<u>(760,086)</u>	<u>2,739,006</u>

20. Financial commitments

(a) Capital commitments

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Capital Expenditure contracted but not provided for in the financial statements	-	577,503	-	577,503

(b) Obligations under operating leases

At 31 March 2007 the Group had annual commitments under non-cancellable operating leases as set out below:

	2007	2006
	£	£
Land and buildings expiring:		
Within one year	111,625	37,865
In the second to fifth years	117,980	248,027
In more than five years	1,113,789	1,121,810
	<u>1,343,394</u>	<u>1,407,702</u>
Vehicles and equipment expiring:		
Within one year	15,905	25,215
In the second to fifth years	-	5,399
	<u>15,905</u>	<u>228,284</u>

Notes to the Accounts

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21. Contingent liabilities

The bank loans of the Group undertakings are secured by cross-guarantees between Group companies. At 31 March 2007 the liability of the bank loans was borne by the Company at a value of £1,643,356 (2006 £1,620,851).

The company is a member of a Group VAT registration and is jointly and severally liable for any debts by member of the registration as at the period ended 31 March 2007. The total group liability amounted to £ 580,344.

Mr John Banks, the former Managing Director of the Company has issued legal proceedings claiming £358,363 by way of damages for breach of his Contract of Employment. These proceedings are being defended by the Company.

22. Pension costs

The Group operates a defined contribution pension scheme for executive directors whose assets are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group and amounted to £9,625 (2006: £64,148). No amounts were prepaid or owing at 31 March 2007 or 31 August 2006.

The Group has established a Stakeholder pension scheme which all staff are invited to join. There are no costs associated with this scheme.

23. Related party balances

The Company has taken advantage of the exemption conferred by FRS8 not to disclose related party transactions with subsidiary undertakings 90% or more of whose voting rights are controlled within the Group.

During the year, the company has purchased capital equipment, part payment of which has been made by Prime Focus Limited. Also during the year, the company has made payments for certain equipment on behalf of Prime Focus Limited. The net effect of these transactions is an amount owing to Prime Focus Limited by the company of £181,078 as on the date of this balance sheet.

As reported in last years accounts under the non-monetary transactions, one of the companies equipment is retained in India, for the use of the Group's trading activities. No charge has been made by Prime Focus Limited, for rent, maintenance and operation of the equipment.

The management and staff of Prime Focus Limited have spent considerable amount of time in managing the Group's activities for which no management fee or salaries has been charged to the Group as of the date of this Balance Sheet.

24. Ultimate controlling party

The directors believe Prime Focus Limited, a company incorporated in India to be the ultimate controlling party.

Five Year Summary

SEVEN MONTH PERIOD ENDED MARCH 31 2007 AND PRIOR YEARS ENDED 31 AUGUST

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Turnover					
Continuing operations	10,604	17,692	21,506	25,345	23,991
(Loss) / Profit before interest and taxation					
	1,241	(1,532)	(279)	1,381	1,089
Interest payable (net)	(237)	(412)	(538)	(479)	(564)
Exceptional item	-	(298)	37	(1,154)	-
(Loss)/profit before taxation					
	1,004	(2,242)	(780)	(252)	525
Taxation	(2)	192	117	(200)	(184)
Dividends	-	-	-	-	-
Retained (loss)/profit	1002	(2,050)	(663)	(452)	341
Employment of Group capital					
Fixed assets	12,536	10,652	10,403	11,919	12,939
Net current liabilities	(1,125)	(344)	(2,561)	(3,184)	(3,309)
	11,411	10,308	7,842	8,735	9,630
Group capital employed					
Creditors falling due after more than one year	1,319	1217	2,433	2,659	2,936
Provisions for liabilities	638	638	227	232	397
Capital and reserves	9,454	8,453	5,182	5,844	6,297
	11,411	10,308	7,842	8,735	9,630
Net borrowings					
Cash at bank and in hand	145	588	12	13	12
Loans and hire purchase due within one year	(2,384)	(3,205)	(3,352)	(3,924)	(4,178)
Loans and hire purchase due after one year	(1,319)	(1,217)	(2,433)	(2,328)	(2,936)
	(3,558)	(3,834)	(5,773)	(6,239)	(7,102)
Statistics					
(Loss)/earnings, pence per ordinary share	3.6p	(12.8p)	(6.0p)	(4.1p)	3.1p
(Loss)/earnings, pence per ordinary share diluted	3.6p	(12.8p)	(6.0p)	(4.1p)	3.1p
Dividends, pence per ordinary share, declared	0.0p	0.0p	0.0p	0.0p	0.0p

