



The small company specialists

COMPANY INFORMATION

ContentFilm plc (LSE:CFL)

Info sheet compiled November 2006

Company Eye Ranking

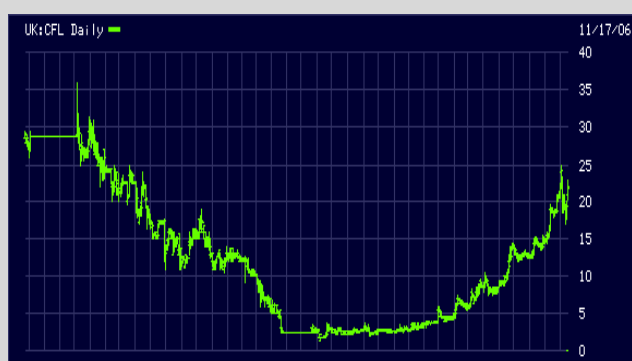
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EDITOR'S NOTE

ContentFilm plc develops and exploits entertainment based intellectual property, in particular with regards to feature films and TV programming operations. Over the past year the company has undergone a major restructuring with emphasis on lowering risk by moving away from investment in film or television productions.

This strategy has also involved successful takeovers of two companies and the total turnover for the last six months is similar to the preceding year. In our opinion ContentFilm is being managed very effectively and would make a suitable addition to a medium term investment portfolio.

3 YEARS CHART



FUNDAMENTALS

Company Name	ContentFilm plc
Current Price	21.75
Status	AIM
Market Cap	37.8[m]
Shares in Issue	173.8[m]
Activities	Development, sales, financing, marketing and exploitation of entertainment based intellectual property rights, with particular emphasis on feature films and TV programming
Sector	Media
Corporate advisor	Evolution Securities Limited
Registrar	Capita Registrars (Beckenham)

HISTORY

The company was founded in March 1993 and was originally named Winchester with the principal objective to source, fund, build and exploit a portfolio of feature films and children's television programmes with international appeal.

In 1995, Winchester became the first film and television company to be listed and raise funds on the newly established Alternative Investment Market (AIM).

Throughout the late 1990s and early 2000s Winchester built an impressive slate of films, many of which were British films, including Shooting Fish and Last Orders. During this period, Winchester expanded into the U.S. opening an office in Los Angeles and developing several strategic partnerships. Winchester also sealed the U.K.'s largest independent film deal securing the international distribution rights to MGM's \$53M comedy entitled

Heartbreakers.

In 2000 Winchester established a UK film distribution unit. This division quickly established a presence in the UK market, distributing films including Lantana, The Man Who Sued God and the award winning My Summer of Love.

In July 2003, Winchester acquired Cobalt Media Capital, a film finance and sales company founded by world recognised investment bankers Alton Irby and John Muse. Cobalt brought with it rights to films such as Open Range and the three times Oscar nominated House of Sand and Fog.

In March 2004, Winchester was subject to a reverse takeover whereby it acquired the U.S. based ContentFilm Inc. The name of the Company was changed from Winchester to ContentFilm.

THE BUSINESS

ContentFilm plc is a London-based film and television sales company. It also owns or controls a significant library of film and television rights and assets, including over 2,000 hours of television and 100 feature films.

In September 2006, ContentFilm plc acquired certain assets of UAV Corporation and UAV Holdings and

Allumination FilmWorks LLC. The completion of these two acquisitions means the Company now wholly owns a significant US DVD distribution operation, giving the Company increased scope to exploit its library of TV and film assets.



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ACTIVITIES

The Group's principal activity is the development, sales, financing, marketing and promotion of entertainment based intellectual property rights with particular emphasis on feature films and TV programming. The Group operates through a number of different divisions as outlined below:

UK Distribution

ContentFilm acquires the rights to promote and distribute films throughout the UK theatrically, on DVD, video and on television.

Content Film plc operates two UK distribution labels; Winchester Film Distribution Ltd and Feature Film Company Ltd. The UK distribution business was formed as a wholly owned subsidiary of Winchester Entertainment PLC. The company commenced trading in May 2001.

ContentFilm have an exclusive video and DVD output deal with Universal Pictures.

ContentFilm International

ContentFilm International is a dynamic film sales and finance company, specialising in high quality, commercial feature films. The company is based in central London with a satellite office in Los Angeles.

Launched in September 2002 by Managing Director Jamie Carmichael (ex- Head of International Distribution at Icon), ContentFilm International is the film sales arm of ContentFilm plc.

Fireworks International

Fireworks International acquires and distributes television programs and feature films throughout the world. Fireworks has a library of over 2000 hours of programming.

TV & Merchandising

ContentFilm plc's 'TV and Merchandising' is a division dedicated to the distribution, licensing & merchandising of intellectual properties for the international pre-school and children's entertainment market.

Allumination Filmworks

Allumination FilmWorks is Content's DVD distribution arm in the U.S. Joining ContentFilm plc in summer 2006, Allumination acquires US domestic home entertainment rights from studios and independent producers and manufactures, packages and distributes DVDs and VHS cassettes of its licensed content to retailers throughout the U.S.

Additionally, it acquires satellite and cable television rights as well as international theatrical and home entertainment rights and sells those rights on to other domestic and international distributors. Allumination has a portfolio of approximately 4000 program hours from it's 700 quality titles in all major categories, various music specials and children's/family feature titles.

STRATEGY

ContentFilm went through a change in strategy in mid 2005. This strategy can be summarised as follows:

- The Company acquire film, television and digital rights in two ways. Firstly, through the acquisition of rights related to individual feature films, television movies, television series, specialist television programming, DVD and home entertainment and digital content. Secondly, looking to expand this strategy by acquiring existing libraries of these individual rights.

- The Company seeks to build strong sales, marketing and distribution teams capable of selling and exploiting these rights. The aim of these teams is to attract new projects.

- Acquisition of complementary businesses, for example home entertainment businesses, that offer similar cash flow and risk profiles to that of library businesses and include their own library of film and television distribution rights.

- Non-invest in film and television production or participation in parts of the entertainment industry with high risk profiles, for example theatrical film distribution.

This strategy builds a business that, within the context of the entertainment industry, is low risk and insulated against typical volatility. Revenue streams and cash flows are more regular and predictable and the business is backed by the value of its library asset.

DEVELOPMENT HIGHLIGHTS

4th September 2006 – completion of the acquisition of Home Video Asset, from UAV Corporation and UAV Holdings, and the acquisition of Allumination Filmworks.

19th July 2006 – Media Partnership with Heavy

21st July 2005 – Acquisition of Fireworks Film library

9th June 2005 – Company announces disposal of film production Operations to CEO Edward Pressman and his subsequent resignation.

3rd September 2004 – Content Film release wins the prestigious Michael Powel Award for Best New British Film at the Edinburgh Film Festival.



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EXPANSION IN THE COMING YEAR

In order to build upon the momentum the Company has gained over the past year, the following goals have been established:

- To continue to manage the existing library for strong earnings and cash flow.
- To build on our current success in attracting new product for both the film and television sales companies, as well as the new Allumination business.
- To launch Heavy in the international arena and develop the new media strategy for the existing library
- To integrate Allumination Filmworks and work with its management to build a strong operation that will enhance revenue and earnings going forward.
- To grow the body of rights under management and continue to search for complementary asset acquisitions.

DISTRIBUTION AGREEMENT

ContentFilm plc and HEAVY, the world's leading broadband entertainment network, have entered into an agreement for Fireworks to distribute all original and library programming created by HEAVY in all territories outside

the United States. The agreement is for a period of three years and covers Heavy's existing library of some 35 hours of programming, as well as new programming created during the agreement.

DIRECTORS

Alton F. Irby III - Non-Executive Chairman

Mr. Irby is a founding partner of Tricorn Partners LLP, a privately held investment bank. He was co-founder of J.O. Hambro Magan Irby Holdings, and when the company was sold to National Westminster Bank plc in 1996, he became Chairman and Chief Executive of NatWest Global Advisory. He was Chairman of Hawkpoint Partners from 1997 to 2000. Mr. Irby is Chairman of ContentFilm plc and also serves as a director of Penumbra Partners Ltd. and Edmiston & Co. Since 1999 he has also been a director of McKesson Corporation and its UK subsidiary, McKesson Information Solutions UK Ltd.

John Schmidt - CEO and Executive Director

Mr. Schmidt has gained extensive experience in building successful entertainment and start-up companies throughout his career. He co-founded October Films in 1992 and served as its Co-President until its sale to USA Networks in 1999. October was one of the foremost independent film companies of the 1990s, winning two Oscars, 13 nominations and top prizes at the Cannes Film Festival on three occasions. Some of October Films' credits include internationally acclaimed films such as "Secrets And Lies," "The Apostle," "Celebration," "Lost Highway" and "Breaking The Waves." Prior to founding October Films, Mr. Schmidt was Executive Vice President and Chief Financial Officer of Miramax Films from 1989-1992 and Financial Analyst at Tri-Star Pictures from 1986-1989. Mr. Schmidt began his career as a documentary film producer after graduating from Yale University. He received an MBA from Harvard Business School in 1986.

Kerry McCluggage - Executive Director

Mr. McCluggage has been in the entertainment business since 1978. In 1980, he became Universal Television's youngest Vice President at the age of 25. During his stint at Universal, Kerry oversaw the development and production of many successful TV hits. He joined Paramount in 1991, where he developed the original plan for UPN and oversaw its successful launch in January 1995. As Chairman of the Paramount Television Group, he aided in the development and production of the Emmy-Award-Winning series Frasier and everyone's favourite magazine show Entertainment Tonight, among many others.

Huw Davies - Non-Executive Director

Mr. Davies has a wealth of experience in the television industry both in the UK and internationally, having formerly been Chief Executive of HTV Wales, Director of Television, HTV Group plc and President of HTV International. He is also Chief Executive of Channel Television Holdings Limited, a member of the ITV Council, and Co-Chairman of the Producers' Rights Association.

Sam W. Humphreys - Non-Executive Director

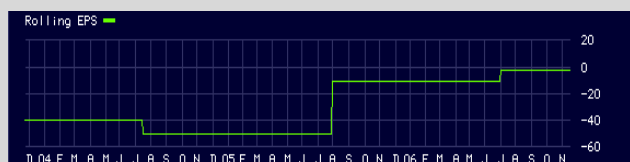
Sam W. Humphreys is the Chief Executive Officer of Syntek Capital AG, a private equity firm. Syntek Capital invests in European and U.S. businesses primarily in the media and technology sectors. Mr. Humphreys also sits on the board of directors of eCommLink, Inc.; IFCO Systems, NV; Metilinx, Inc.; and WildBrain, Inc.



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ROLLING EPS



MONEY FLOW



SHAREHOLDINGS

	Number	%
Syntek Capital AG	65,769,231	37.9
Jeff Sagansky	13,630,638	7.9
Kerry McCluggage	11,830,638	6.8

	Number	%
Richard Woolf	6,100,000	3.5
Alton Irby	4,762,806	2.7
John Schmidt	2,465,384	1.4
Huw Davies	748,383	0.4

FINANCIAL HISTORY

Profit and loss account for six months to 30th September 2006

£000	6 Months to 30 th Sept 2006	Year ended 31 st March 2006
Continuing operations	8,836	2,876
Acquisitions	1,865	7,808
Total turnover	10,701	10,684
Cost of sales	(5,388)	(5,344)
Gross profit	5,313	5,340
Net operating expenses	(3,106)	(4,954)
Exceptional net operating expenses	-	(1,093)
Operating profit/(loss): Continuing operations	1,854	(3,971)
Operating profit/(loss): Acquisitions	353	3,264
Total operating profit/(loss)	2,207	(707)
Net interest payable	(506)	(972)
Exceptional net interest payable	(320)	(1,771)
Profit/(loss) on ordinary activities before exceptionals	1,701	(586)
Profit/(loss) on ordinary activities after exceptionals	1,381	(3,450)
Tax credit on loss on ordinary activities	-	-
Retained profit/(loss) for the financial period	1,381	(3,450)
Profit/(loss) per ordinary share	0.9p	(2.8p)

Balance Sheet at 30th September 2006

£000	30th September 2006	31st March 2006
Intangible Assets: goodwill	15,217	11,506
Tangible Assets	122	75
Investments	1	1
Fixed Assets	15,340	11,582
Stocks	9,570	9,649
Debtors	6,243	4,097
Investments	2	2
Cash at bank and in hand	1,668	1,637
Current Assets	17,483	15,385
Creditors: amounts falling due within one year	(6,037)	(6,738)
Net current assets	11,446	8,647
Total assets less current liabilities	26,786	20,229
Creditors: amounts falling due after more than one year	(20,150)	(17,358)
Net assets	6,636	2,871
Capital and reserves		
Called up share capital	4,273	4,032
Share premium account	37,706	35,564
Equity element on convertible debt	3,111	3,111
Merger reserve	469	506
Warrant Reserve	61	61
Profit and loss account	(38,984)	(40,403)
Equity shareholders' funds	6,636	2,871



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RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

CONTACT

19-21 Heddon Street
London
W1B 4BG
United Kingdom

RANKING

	Ranking out of 50 (50 being highest)
Business model - competitive advantage	
Competition	30
Customers	
Low cost	30
Management	40
- corporate governance	
- quality	
- shareholding	
Product	40
Sector	32
Financial evaluation	
Early and profitable exit potential	35
Financial strength	30
- cash flow	
- conservative accounting	
- need for funding	
Growth at a reasonable price	
Risk	35
Overall average rating	34



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FURTHER INFORMATION ABOUT THE RANKING

Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's value chain of activities, such as

easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

Competition

How intense is the competition and are there barriers to entry?

Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

Sector

Is the company in an attractive sector that is profitable and adds value?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

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