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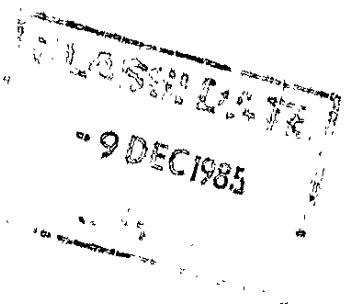
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CASTLE COMMUNICATIONS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1985

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CASTLE COMMUNICATIONS LIMITED  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH JUNE 1985

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## CASTLE COMMUNICATIONS LIMITED

### DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30th June 1985.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

In the year to 30th June 1985 the company expanded rapidly by developing both the video and record businesses commenced in the previous year.

Major developments on the record side were the launch of several record labels. THE COLLECTOR SERIES. DOJO. RAW POWER. SHOWCASE. KASINO and KASTLE KILLERS. which encompass a wide range of musical styles. with an emphasis on repackaging existing performances rather than producing new material. One exception to this was the production of two new classical recordings with the London Symphony Orchestra.

In the video division the original business in Finland was supplemented by the establishment of distribution deals in Norway. Denmark and Sweden. The company also entered into a joint venture to acquire video rights for distribution in North America.

The directors consider that there is considerable potential for profitable growth in the existing activities outlined above. as well as in related areas of the entertainment business.

In order to simplify the company share structure the shareholders will be asked at an Extraordinary General Meeting immediately following the Annual General Meeting to approve a scheme to convert the present 'A' and 'B' ordinary shares into one class of share capital and to increase the authorised and allotted share capital. At the same meeting the necessary resolutions will be put to the shareholders to enable the company to register as a public limited company.

### RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £166,418. This amount is dealt with as follows:-

Ordinary dividend on 'B' Ordinary shares	£ 5.000
Transfer to reserves	161.418
	<hr/>
	166.418
	=====

### DIRECTORS

G.R. Jessel	(Chairman)	(non-executive)
T.R. Shand	(Managing Director)	
J. Beecher		
C.V. Dane		
G.R.T. Jessel		(non-executive)

CASTLE COMMUNICATIONS LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS IN SHARES

The directors who held office at the end of the year had the following interests in the shares of the company:-

	<u>30th June 1985</u>		<u>30th June 1984</u>	
	<u>'A' Ordinary</u> <u>shares</u>	<u>'B' Ordinary</u> <u>shares</u>	<u>'A'</u>	<u>'B'</u>
M.R. Shand (beneficial)	5,000	200	5,000	-
M.R. Jessel (beneficial)	-	1900	-	500
M.V. Dane (beneficial)	-	500	-	200
M. Beecher (beneficial)	-	400	-	-

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the reappointment of Deloitte Haskins & Sells as auditors to the company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD



M. V. DANE  
Secretary

3th September 1985



AUDITORS' REPORT

TO THE MEMBERS OF CASTLE COMMUNICATIONS LIMITED

We have audited the financial statements on pages 5 to 13 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30th June 1985 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

*Deloitte Haskins & Sells*

Chartered Accountants

London

13th September 1985

**TIGHT BINDING**

CASTLE COMMUNICATIONS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE 1985

	<u>Notes</u>	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
TURNOVER	1	2,487.223	659.156
Net operating expenses	2	2,170.190	610.208
OPERATING PROFIT		317.033	48.948
Interest payable	4	28.805	6.621
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		288.228	42.327
Taxation	5	121.810	15.000
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		166.418	27.327
Dividends	6	5.000	5.000
RETAINED PROFIT FOR YEAR		£161.418 =====	£22.327 =====



CASTLE COMMUNICATIONS LIMITED

BALANCE SHEET

AT 30TH JUNE 1985

	<u>Notes</u>	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
FIXED ASSETS			
Tangible assets	7	50.693	20.363
CURRENT ASSETS			
Stocks	8	127.743	108.963
Debtors	9	1.002.116	315.457
Cash at bank and in hand		1.486	-
		<u>1.131.345</u>	<u>424.420</u>
CREDITORS: Amounts falling due within one year	10	912.857	340.927
NET CURRENT ASSETS		<u>218.488</u>	<u>83.493</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>269.181</u>	<u>103.856</u>
CREDITORS: Amounts falling due after more than one year	10	9.945	6.913
PROVISIONS FOR LIABILITIES AND CHARGES	11	875	-
NET ASSETS		<u>£258.361</u> =====	<u>£96.943</u> =====
CAPITAL AND RESERVES			
Called-up share capital	12	15.000	15.000
Share premium account	13	57.275	57.275
Other reserves	13	1.446	1.446
Profit and loss account	13	184.640	23.222
		<u>£258.361</u> =====	<u>£96.943</u> =====

The financial statements on pages 5 to 13 were approved by the board of directors on 13th September 1985 and were signed on its behalf by:

T. R. SHAND )

C. V. DANE )

Directors

*Dane*

CASTLE COMMUNICATIONS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 30TH JUNE 1985

	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	288.228	42.327
Items not involving the movement of funds:		
Depreciation	8.399	1.541
Loss on disposal of tangible assets	1.705	-
	<hr/>	<hr/>
FUNDS GENERATED FROM OPERATIONS	298.332	43.868
FUNDS FROM OTHER SOURCES		
Sale of tangible fixed assets	8.325	-
Proceeds of share issue	-	72.500
	<hr/>	<hr/>
TOTAL SOURCE OF FUNDS	306.657	116.368
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	48.759	21.904
Capital duty on share issue	-	725
Taxation paid	14.036	-
Dividend paid	5.000	-
	<hr/>	<hr/>
TOTAL APPLICATION OF FUNDS	67.795	22.629
NET SOURCE OF FUNDS	<hr/> £238.862 =====	<hr/> £93.739 =====
THE NET SOURCE OF FUNDS IS REPRESENTED BY THE FOLLOWING INCREASE IN WORKING CAPITAL		
Stocks	18.780	108.963
Debtors	686.659	294.874
Creditors falling due within one year	(385.510)	(152.814)
Creditors falling due after one year	(3.032)	(6.913)
	<hr/>	<hr/>
	316.897	244.110
Movements in net liquid funds:		
Bank overdraft	(79.521)	(150.242)
Cash at bank and in hand	1.486	(129)
	<hr/>	<hr/>
	(78.035)	(150.371)
INCREASE IN WORKING CAPITAL	<hr/> £238.862 =====	<hr/> £93.739 =====



## CASTLE COMMUNICATIONS LIMITED

### ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The accounts have been prepared on the historical cost basis of accounting.

#### TURNOVER

Turnover represents sales of videos and records, excluding value added tax.

#### DEFERRED TAXATION

Provision is made on the liability method for timing differences to the extent that there is a reasonable probability that such taxation will become payable in the foreseeable future.

#### TANGIBLE FIXED ASSETS

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Leasehold property	- over 25 years
Plant and machinery	- between 2 and 4 years
Fixtures, fittings, tools and equipment	- over 5 years

#### STOCKS

Stocks are valued at the lower of cost and net realisable value.

#### FOREIGN CURRENCY AMOUNTS

Foreign currency assets and liabilities are translated at rates existing at the year end.

#### ADVANCE ROYALTY PAYMENTS

The treatment of advance royalty payments for video rights varies according to the nature of the contract with the customer, but generally the total advance is charged to the profit and loss account upon sale of a master-tape or finished product.

Advance royalty payments for record rights are written off to the profit and loss account on the basis of unit sales. Where the directors consider that there will be insufficient future sales to recoup an advance, the balance is charged immediately to the profit and loss account.

# APPLE COMMUNICATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1985

### 1. TURNOVER

	<u>1985</u> £	<u>1984</u> £
Geographical markets supplied:		
Europe (excluding the United Kingdom)	1.530.687	265.633
United Kingdom	602.637	250.792
North America	<u>353.899</u>	<u>142.731</u>
	£2.487.223	£659.156
	=====	=====
By activity		
Videos	1.417.285	164.887
Records	<u>1.069.938</u>	<u>494.269</u>
	£2.487.223	£659.156
	=====	=====

The directors do not consider an analysis of profit before taxation by activity to be appropriate since a high proportion of group costs are indirect and cannot be specifically allocated.

### 2. NET OPERATING EXPENSES

	<u>1985</u> £	<u>1984</u> £
Change in stocks	(18.780)	(108.963)
Consumables	1.879.142	628.661
Staff costs (see note 3)	120.054	36.762
Depreciation of tangible fixed assets	8.399	1.541
Other operating charges	<u>181.375</u>	<u>52.207</u>
	£2.170.190	£610.208
	=====	=====

Other operating charges are stated after charging:

Auditors remuneration		
Charge for the year	5.000	2.750
Previous year under provision	<u>750</u>	<u>-</u>
	£5.750	£2.750
	=====	=====

### 3. DIRECTORS AND EMPLOYEES

The average weekly number of persons (including directors) employed by the company during the year was:

	<u>1985</u>	<u>1984</u>
Full-time	10	5
Part-time	<u>-</u>	<u>-</u>
	10	5
	=====	=====
	£	£

Staff costs		
Wages and salaries	111.946	34.254
Social security costs	<u>8.108</u>	<u>2.508</u>
	£120.054	£36.762
	=====	=====

ATLANTIC COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

OF THE YEAR ENDED 30TH JUNE 1985 (Continued)

. DIRECTORS AND EMPLOYEES (Continued)

The remuneration paid to directors was

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Emoluments	73.207	18.915
	=====	=====

The directors' remuneration included

Chairman	-	-
Highest paid director	35.318	12.104

Other directors received emoluments in the following ranges

£0 - £5.000	1	3
£5.001 - £10.000	-	1
£15.001 - £20.000	1	-
£20.001 - £25.000	1	-

. INTEREST PAYABLE

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
On bank overdraft:		
Repayable on demand	28.805	6.621
	=====	=====

. TAXATION

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
UK corporation tax	118.792	15.000
Deferred taxation	3.018	-
	<u>£121.810</u>	<u>£15.000</u>
	=====	=====

UK Corporation tax has been provided at an effective rate of 41% on the profits for the year.

. DIVIDENDS

An interim dividend of 50p per 'B' ordinary share has been proposed to be paid in October 1985.

CASTLE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1985

(Continued)

7. TANGIBLE FIXED ASSETS

	<u>Land and Building</u> <u>Short Leasehold</u> £	<u>Plant and</u> <u>Machinery</u> £	<u>Fixtures Fittings</u> <u>Tools and Equipment</u> £	<u>Total</u> £
<u>COST</u>				
At 1st July 1984	3.459	15.818	2.627	21.904
Additions	13.591	24.200	10.968	48.759
Disposals	-	(11.739)	(200)	(11.939)
At 30th June 1985	<u>17.050</u>	<u>28.279</u>	<u>13.395</u>	<u>58.724</u>
<u>DEPRECIATION</u>				
At 1st July 1984	23	1.488	30	1,541
Charge for the year	683	6.192	1,524	8,399
Disposals	-	(1,867)	(42)	(1,909)
At 30th June 1985	<u>706</u>	<u>5.813</u>	<u>1,512</u>	<u>8,031</u>
<u>NET BOOK VALUE</u>				
At 30th June 1985	16.344 =====	22.466 =====	11.883 =====	50.693 =====
At 30th June 1984	3.436 =====	14.330 =====	2.597 =====	20.363 =====

8. STOCKS

Stocks comprise:

Raw materials and consumables  
Finished goods

<u>1985</u> £	<u>1984</u> £
39.511	4.046
<u>88.232</u>	<u>104.917</u>
£127.743	£108.963
=====	=====

9. DEBTORS

Amounts falling due within one year:

Trade debtors  
Advance royalty payments  
Other debtors and prepayments

<u>1985</u> £	<u>1984</u> £
512.775	183.703
347.229	105.652
<u>136.112</u>	<u>21.102</u>
996.116	310.457

Amount falling due after more than one year

Deposits

<u>1985</u> £	<u>1984</u> £
6.000	5.000
<u>£1,002.116</u>	<u>£315.457</u>
=====	=====

# WILL COMMUNICATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1985 (Continued)

### 0. CREDITORS

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Amounts falling due within one year:		
Bank overdraft (secured)	229.874	150.353
Trade creditors	512.677	140.047
Dividends payable	5.000	5.000
Corporation tax	121.899	15.000
Taxation and social security	9.826	6.124
Other creditors and accruals	26.621	20.083
Liability under hire purchase agreements	6.960	4.320
	<u>£912.857</u>	<u>£340.927</u>
	=====	=====
Amount falling due after more than one year:		
Liability under hire purchase agreements	9.945	6.913
	<u>£9.945</u>	<u>£6.913</u>
	=====	=====

The bank overdraft is repayable on demand and is secured by a debenture incorporating first charges over the assets of the company.

### 1. PROVISIONS FOR LIABILITIES AND CHARGES - Deferred Taxation

The potential liability for deferred taxation is £3.018 (1984 - £911)  
Full provision has been made (1984 - nil).

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Deferred taxation provided	3.018	-
Less advance corporation tax recoverable	(2.143)	-
	<u>£ 875</u>	<u>-</u>
	=====	=====

### 2. SHARE CAPITAL

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
<u>Authorised</u>		
'A' ordinary shares of £1 each	5.000	5.000
'B' ordinary shares of £1 each	11.000	10.000
	<u>£16.000</u>	<u>£15.000</u>
	=====	=====
<u>Allotted, called-up and fully paid</u>		
'A' ordinary shares of £1 each	5.000	5.000
'B' ordinary shares of £1 each	10.000	10.000
	<u>£15.000</u>	<u>£15.000</u>
	=====	=====

The authorised capital of the company was increased by 1,000 'B' ordinary shares of £1 each on 17th June 1985 to facilitate the establishment of an executive share option scheme.

CASTLE COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1985 (Continued)

13. SHARE PREMIUM ACCOUNT AND RESERVES

	<u>Share Premium Account</u>	<u>Other Reserves</u>	<u>Profit and loss account</u>
	£	£	£
At 1st July 1984	57.275	1.446	23.222
Retained profit for the year	-	-	161.418
At 30th June 1985	<u>£57.275</u> =====	<u>£1.446</u> =====	<u>£184.640</u> =====

