



**SOUTHERN STAR PRIMETIME LIMITED**  
**(formerly Primetime Television Associates**  
**Limited)**

**Report and Financial Statements**

**Fourteen months ended 31 March 1999**

**Deloitte & Touche**  
**Hill House**  
**1 Little New Street**  
**London**  
**EC4A 3TR**



**REPORT AND FINANCIAL STATEMENTS 1999**

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**REPORT AND FINANCIAL STATEMENTS 1999**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

P Clark		(appointed 2 October 1998)
N Balnaves		(appointed 2 October 1998)
D Say	(Alternate)	(appointed 15 February 1999)
N P Wilson		(resigned 2 October 1998, re-appointed 12 August 1999)

**SECRETARY**

F M Irlam

**REGISTERED OFFICE**

22 Melton Street  
London  
NW1 2PE

**BANKERS**

Barclays Bank PLC  
27 Soho Square  
London  
W1A 4WA

**SOLICITORS**

Davenport Lyons  
1 Old Burlington Street  
London  
W1X 2NL

**AUDITORS**

Deloitte & Touche  
Hill House  
1 Little New Street  
London  
EC4A 3TR



## **DIRECTORS' REPORT**

The directors present their report together with the audited financial statements for the fourteen month period ended 31 March 1999.

### **PRINCIPAL ACTIVITIES**

The principal activities of the company during the period was that of the international distribution of television programming. The directors do not envisage any future changes in those activities.

### **BUSINESS REVIEW**

On 2 October 1998 100% of the share capital of the company's immediate parent company, Primetime Limited (formerly Primetime plc), was acquired by Southern Star Circle PLC, a company registered in England and Wales which is wholly owned by Southern Star Group Limited. As a result of the acquisition, the company changed its name from Primetime Television Associates Limited to Southern Star Primetime Limited on 8 April 1999.

The company made a profit for the period after taxation amounting to £171,481 (eighteen month period ended 31 January 1998 as restated: loss of £557,701). The directors do not recommend payment of a dividend (eighteen month period ended 31 January 1998: £nil).

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the period were:

I Irvine - Chairman	(appointed 2 October 1998, resigned 1 October 1999)
P Clark	(appointed 2 October 1998)
N Balnaves	(appointed 2 October 1998)
D Say - Alternate	(appointed 15 February 1999)
R S Price	(resigned 2 October 1998)
S D Willock	(resigned 2 October 1998)
P Barrett	(resigned 2 October 1998)
P C Carroll	(resigned 2 October 1998)
P M Coelho-Murphy	(resigned 12 March 1998)
R G Leworthy	(resigned 2 October 1998)
C A Meacock	(resigned 2 October 1998)
N P Wilson	(resigned 2 October 1998, re-appointed 12 August 1999)

None of the directors who served during the period had any interests in the share capital of the company.

The interests of R S Price, S D Willock, and R G Leworthy in the share capital of the immediate parent company Primetime Limited (formerly Primetime PLC) are disclosed in that company's financial statements.

### **YEAR 2000**

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business; however, the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not expected to be significant.



**DIRECTORS' REPORT (continued)**

**AUDITORS**

During the period Grant Thornton resigned as auditors and a resolution was passed to appoint Deloitte & Touche as auditors of the company. Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

P Clark

Director

31 January 2000

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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



## AUDITORS' REPORT TO THE MEMBERS OF SOUTHERN STAR PRIMETIME LIMITED (formerly Primetime Television Associates Limited)

We have audited the financial statements on pages 6 to 14 which have been prepared under the accounting policies set out on page 9.

### Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Qualified opinion arising from limitation in audit scope

As explained in note 1 the company has changed its accounting policy in respect of income recognition. Previously income was recognised when invoices were raised, whereas income is now recognised when programmes are available for delivery, the sales contract is fully executed and the collectability of the full licence fee is reasonably assured.

The profit and loss account for the eighteen months ended 31 January 1998 has been restated to reflect the new policy. However, the accounting records as at 31 July 1996 were not prepared in sufficient detail to enable the restatement to be audited. Accordingly the corresponding amounts shown in the profit and loss account in respect of turnover, cost of sales, gross profit and profit before and after taxation may not be comparable with the figures for the current period.

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1999 and of its profit for the period then ended and, except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the restatement of the profit and loss account for the eighteen month period ended 31 January 1998, have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Chartered Accountants  
and Registered Auditors

31 January 2000

**Deloitte Touche  
Tohmatsu**

Aberdeen, Belfast, Birmingham, Bracknell, Bristol, Cambridge, Cardiff, Crawley,  
Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes,  
Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available:  
Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on  
investment business.

**PROFIT AND LOSS ACCOUNT**  
**Fourteen month period ended 31 March 1999**

	Note	Fourteen months ended 31 March 1999 £	Eighteen months ended 31 January 1998 (as restated) £
<b>TURNOVER</b>	1,3	15,950,974	25,394,417
Cost of sales		(13,763,734)	(22,646,304)
Gross profit		2,187,240	2,748,113
Administrative expenses		(1,989,306)	(3,240,690)
Other operating income		89,996	90,979
<b>OPERATING PROFIT/(LOSS) ON ORDINARY ACTIVITIES</b>	4	287,930	(401,598)
Interest receivable and similar income		5,459	-
Interest payable and similar charges	5	(121,908)	(204,663)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		171,481	(606,261)
Tax credit on profit/(loss) on ordinary activities	7	-	48,560
<b>RETAINED PROFIT/(LOSS) FOR THE FINANCIAL PERIOD</b>	14	171,481	(557,701)

All turnover and operating profit/(loss) was derived from continuing activities.





**BALANCE SHEET**  
As at 31 March 1999

	Note	31 March 1999 £	31 January 1998 (as restated) £
<b>FIXED ASSETS</b>			
Tangible fixed assets	8	148,568	218,658
<b>CURRENT ASSETS</b>			
Debtors: amounts recoverable within one year	9	8,176,460	11,083,841
Debtors: amounts recoverable after more than one year	10	752,576	325,782
Cash at bank and in hand		2,615,120	9,389
		11,544,156	11,419,012
<b>CREDITORS: amounts falling due within one year</b>	11	(12,122,646)	(12,847,973)
<b>NET CURRENT LIABILITIES</b>		(578,490)	(1,428,961)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(429,922)	(1,210,303)
<b>CREDITORS: amounts falling due after more than one year</b>	12	(655,729)	(46,829)
<b>TOTAL NET LIABILITIES</b>		(1,085,651)	(1,257,132)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	30,770	30,770
Profit and loss account	14	(1,116,421)	(1,287,902)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	15	(1,085,651)	(1,257,132)

These financial statements were approved by the Board of Directors on 31 January 2000.

Signed on behalf of the Board of Directors

*Peter A. Clark*

P Clark  
Director



**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Fourteen months ended 31 March 1999**

	<b>Fourteen months ended 31 March 1999 £</b>	<b>Eighteen months ended 31 January 1998 £</b>
<b>Profit/(loss) for the financial period</b>	<u>171,481</u>	<u>(557,701)</u>
<b>Total recognised gains and losses for the period</b>	<u>171,481</u>	<u>(557,701)</u>
<b>Prior year adjustments</b>	<u>425,196</u>	
<b>Total gains and losses recognised since last financial statements</b>	<u><u>596,677</u></u>	

**NOTES TO THE ACCOUNTS**  
**Fourteen months ended 31 March 1999**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with the Companies Act 1985 and applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Turnover**

Turnover represents gross licence fees and royalty income arising from the development and distribution of programmes to customers, net of sales related taxes. Turnover is recognised when those programmes and films are available for delivery, the sales contract is fully executed, and the collectability of the full licence fee is reasonably assured.

**Depreciation**

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Leasehold improvements	20% straight line
Motor vehicles	25% reducing balance
Fixtures, fittings and equipment	15-25% reducing balance

**Foreign currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the dates of the transactions or, if hedged forward, at the relevant forward currency contract rates. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. These translation differences are dealt with in the profit and loss account.

**Contributions to pension funds**

*Defined contribution scheme*

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

**Going concern basis**

The directors of the company's ultimate parent company, Southern Star Group Limited, have indicated their intention to continue to provide financial support to the company for a period of at least twelve months from the date of signing the financial statements for the period ended 31 March 1999. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

**2. PRIOR YEAR ADJUSTMENT**

The accounting policy in respect of turnover (note 1) represents a change in accounting policy from that applied in previous periods. Previously turnover represented the total amount receivable by the company for goods and services supplied, excluding VAT and trade discounts, recognised on an invoice basis.

The effect of this change in accounting policy has been to reduce turnover by £1,071,437 and gross profit by £181,859 for the 18 months ended 31 January 1998. It is not practicable to calculate the effect of the prior year adjustment on the current period.

To ensure consistent presentation of financial information the change of accounting policy has been treated as a prior year adjustment and comparative information has been restated accordingly.

The directors were required to change the accounting policy to reflect the accounting policies of the ultimate parent undertaking, Southern Star Group Limited, which acquired all of the share capital of the company on 2 October 1998.

**NOTES TO THE ACCOUNTS**  
**Fourteen months ended 31 March 1999**

**3. TURNOVER**

An analysis of turnover by geographical market is given below:

	<b>Fourteen months ended 31 March 1999 £</b>	<b>Eighteen months ended 31 January 1998 £</b>
United Kingdom	11,247,417	16,445,464
Europe	2,766,238	5,364,911
North America	544,747	674,388
Australia	400,393	656,864
Rest of World	992,179	2,252,790
	<u>15,950,974</u>	<u>25,394,417</u>

All turnover derives from the distribution of television programmes.

**4. OPERATING PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

The operating profit/(loss) is stated after charging/(crediting):

	<b>Fourteen months ended 31 March 1999 £</b>	<b>Eighteen months ended 31 January 1998 £</b>
Auditors' remuneration:		
Audit services	59,216	35,000
Other non-audit services	16,117	45,073
Depreciation:		
Tangible fixed assets - owned	82,952	113,590
Exchange losses/(gains)	10,182	(11,950)
(Profit)/loss on disposal of fixed assets	(9,811)	2,456
Rentals under operating leases - land and buildings	125,800	171,437
	<u>125,800</u>	<u>171,437</u>

**5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>Fourteen months ended 31 March 1999 £</b>	<b>Eighteen months ended 31 January 1998 £</b>
On bank loans and overdrafts	<u>121,908</u>	<u>204,663</u>


**NOTES TO THE ACCOUNTS**
**Fourteen months ended 31 March 1999**
**6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>Fourteen months ended 31 March 1999 £</b>	<b>Eighteen months ended 31 January 1998 £</b>
<b>Staff costs during the period (including directors)</b>		
Wages and salaries	689,235	1,128,828
Social security costs	78,470	129,771
Other pension costs	23,815	40,667
	<u>791,520</u>	<u>1,299,266</u>
	<b>No.</b>	<b>No.</b>
<b>The average number of employees of the company during the period was:</b>		
Sales	9	19
Management and administration	10	11
	<u>19</u>	<u>30</u>
	<b>£</b>	<b>£</b>
<b>Remuneration in respect of directors was as follows:</b>		
Emoluments	145,698	395,427
Pension contributions to personal pension schemes	1,288	-
Pension contributions to money purchase pension schemes	5,784	20,168
	<u>152,770</u>	<u>415,595</u>

The number of directors who were members of a defined contribution scheme during the year was 5 (1998: 6).

The amounts set out above include remuneration in respect of the highest paid directors as follows:

	<b>£</b>	<b>£</b>
Emoluments	44,125	111,398
Pension contributions to money purchase pension schemes	2,648	6,102
	<u>46,773</u>	<u>117,500</u>

**7. TAX CHARGE/(CREDIT) ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	<b>Fourteen months ended 31 March 1999 £</b>	<b>Eighteen months ended 31 January 1998 £</b>
Adjustments in respect of prior periods:		
Corporation tax	-	(48,560)

There is no tax charge in the period due to losses brought forward in the company.


**NOTES TO THE ACCOUNTS**  
**Fourteen months ended 31 March 1999**
**8. TANGIBLE FIXED ASSETS**

	Leasehold improve- ments £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
<b>Cost or valuation</b>				
At 1 February 1998	201,003	71,450	299,573	572,026
Additions	910	35,645	10,652	47,207
Disposals	-	(82,450)	(11,650)	(94,100)
At 31 March 1999	201,913	24,645	298,575	525,133
<b>Depreciation</b>				
At 1 February 1998	100,502	46,410	206,456	353,368
Disposals	-	(52,255)	(7,500)	(59,755)
Charge for the period	47,114	13,034	22,804	82,952
At 31 March 1999	147,616	7,189	221,760	376,565
<b>Net book value</b>				
At 31 March 1999	54,297	17,456	76,815	148,568
At 31 January 1998	100,501	25,040	93,117	218,658

**9. DEBTORS: AMOUNTS RECOVERABLE WITHIN ONE YEAR**

	31 March 1999 £	31 January 1998 (as restated) £
Trade debtors	6,658,569	7,146,995
Amounts owed by group undertakings	1,400,277	3,710,081
Amounts owed by associated undertakings	-	22,148
Other debtors	56,694	76,136
Taxation recoverable	-	50,145
Prepayments and accrued income	60,920	78,336
	8,176,460	11,083,841

**10. DEBTORS: AMOUNTS RECOVERABLE AFTER MORE THAN ONE YEAR**

	31 March 1999 £	31 January 1998 (as restated) £
Trade debtors	752,576	325,782

**NOTES TO THE ACCOUNTS**  
**Fourteen months ended 31 March 1999**

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>31 March 1999</b>	<b>31 January 1998 (as restated)</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	213,863	891,800
Trade creditors	9,590,759	8,804,509
Amounts owed to group undertakings	1,196,180	2,417,356
Amounts owed to undertakings in which the group has a participating interest	131,557	-
Social security and other taxes	815,286	562,827
Other creditors	97,795	73,817
Accruals and deferred income	77,206	97,664
	<u>12,122,646</u>	<u>12,847,973</u>

The bank overdrafts are secured by a fixed and floating charge over all of the company's assets. Interest on overdrafts is charged at 2% above the bank's base rate.

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>31 March 1999</b>	<b>31 January 1998 (as restated)</b>
	<b>£</b>	<b>£</b>
Trade creditors	<u>655,729</u>	<u>46,829</u>

**13. CALLED UP SHARE CAPITAL**

	<b>31 March 1999</b>	<b>31 January 1998</b>
	<b>£</b>	<b>£</b>
<b>Authorised:</b>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Allotted, called up and fully paid:</b>		
30,770 ordinary shares of £1 each	<u>30,770</u>	<u>30,770</u>

**14. MOVEMENTS IN RESERVES**

	<b>Profit and loss account £</b>
At 1 February 1998 as previously stated	(1,713,098)
Prior year adjustments (note 2)	<u>425,196</u>
At 1 February 1998 as restated	(1,287,902)
Retained profit for the period	<u>171,481</u>
At 31 March 1999	<u>(1,116,421)</u>


**NOTES TO THE ACCOUNTS**
**Fourteen months ended 31 March 1999**
**15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' DEFICIT**

	31 March 1999	31 January 1998 (as restated)
	£	£
Profit/(loss) for the period	171,481	(557,701)
Net increase/(decrease) in shareholders' funds	171,481	(557,701)
Opening equity shareholders' deficit		
As previously stated	(1,682,328)	(1,305,385)
Prior period adjustment	425,196	605,954
As restated	(1,257,132)	(699,431)
Closing equity shareholders' deficit	(1,085,651)	(1,257,132)

**16. CONTINGENT LIABILITIES**

At 31 March 1999 guarantees existed in respect of the bank borrowings of Primetime Limited (formerly Primetime plc) and Southern Star Primetime Limited (formerly Primetime Television Associates Limited). The guarantees were in respect of maximum group overdrafts of £1,750,000 (1998: £1,750,000). The net cash position of Primetime Limited (formerly Primetime plc) and Southern Star Primetime Limited (formerly Primetime Television Associates Limited) as at 31 March 1999 was £1,357,523 (31 January 1998: (£871,475)). Such borrowings were secured by way of a fixed and floating charge over all the assets of the company.

**17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING RELATED PARTY**

The immediate parent company of the company is Primetime Limited (formerly Primetime PLC), a company registered in England and Wales.

The intermediate parent company is Southern Star Circle PLC, a company registered in England and Wales. Copies of group financial statements are available from 45-49 Mortimer Street, London W1N 7TD.

The ultimate parent company and controlling party is Southern Star Group Limited, a company registered in Australia. Copies of group financial statements are available from 8 West Street, North Sydney, NSW 2060, Australia. The ultimate parent company is committed to providing financial and administrative support to the company.

**18. RELATED PARTY TRANSACTIONS**

Richard Price and Richard Leworthy are trustees of a trust which owns 15% of TEAM plc, a major trading partner of the company and its immediate parent company, Primetime Limited. Until 2 October 1998 TEAM plc owned 25.1% of the issued share capital of Primetime Limited.

Amounts owed by the company and its immediate parent company to TEAM plc as at 31 March 1999 were £11,473 (1998: Amounts due to the company and its immediate parent company from Team plc were £305,954). The total value of transactions between the company and its immediate parent company and TEAM plc for the fourteen month period to 31 March 1999 was £2,310,123. All transactions between TEAM plc and the company and its immediate parent company are at arm's length.

The company has taken advantage of the exemption granted under paragraph 3 of Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with group entities.