

Widgeon Investments Limited

Report and Financial Statements

31 January 2003



Widgeon Investments Limited

Registered No: 2415283

Directors

H L Gerrard
J G Hemingway
B V Grakal

Secretary

G D Hill

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered office

90 Jermyn Street
(1st Floor)
London
SW1Y 6JD

Directors' report

The directors present their report and financial statements for the year ended 31 January 2003.

Results and dividends

The profit for the year amounted to £453,697. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The principal activity of the company during the year was that of a holding and investment company. The directors do not envisage any change in this activity during the foreseeable future.

Directors

The directors who served the company during the year were as follows:

H L Gerrard
J G Hemingway
B V Grakal

There are no directors' interests requiring disclosure under the Companies Act 1985.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



G D Hill
Secretary

2003

20th November

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. 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; and
- 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.

Independent auditors' report

to the members of Widgeon Investments Limited

We have audited the company's financial statements for the year ended 31 January 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Independent auditors' report

to the members of Widgeon Investments Limited (continued)

Qualified opinion

As explained in note 7, the aggregate cost of the investment in subsidiary and associated undertakings has not been apportioned between these two categories and separately disclosed. This is not in accordance with the requirements of Schedule 4 to the Companies Act 1985.

Except for the absence of the information concerning investments described above, in our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 January 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

24 November 2003

Profit and loss account

for the year ended 31 January 2003

	Notes	2003 £	2002 £
Turnover		—	—
Administrative expenses		19,853	25,671
Operating loss	2	(19,853)	(25,671)
Income from participating interests	4	450,000	7,600,000
Bank interest receivable	5	23,550	109,154
		473,550	7,709,154
Profit on ordinary activities before taxation		453,697	7,683,483
Tax on profit on ordinary activities	6	—	10,315
Profit on ordinary activities after taxation		453,697	7,673,168
Dividends:			
ordinary dividends on equity shares		—	8,700,000
Retained profit/(loss) for the financial year		453,697	(1,026,832)

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £453,697 attributable to the shareholders for the year ended 31 January 2003 (2002 - profit of £7,673,168).

Balance sheet at 31 January 2003

	Notes	2003 £	2002 £
Fixed assets			
Investments	7	15,000,020	15,000,020
Current assets			
Debtors	8	50,584	4,666,535
Cash at bank		532,027	4,168,930
		582,611	8,835,465
Creditors: amounts falling due within one year	9	13,556	8,720,107
Net current assets		569,055	115,358
Total assets less current liabilities		15,569,075	15,115,378
Capital and reserves			
Called up share capital	10	14,500,000	14,500,000
Profit and loss account	11	1,069,075	615,378
Equity shareholders' funds	11	15,569,075	15,115,378

H L Gerrard
Director

2003

November 20,

Statement of cash flows

for the year ended 31 January 2003

	Notes	2003 £	2002 £
Net cash outflow from operating activities	12 (a)	(10,453)	(29,640)
Returns on investments and servicing of finance	12 (b)	5,073,550	3,097,531
Equity dividends paid		(8,700,000)	—
(Decrease)/increase in cash		<u>(3,636,903)</u>	<u>3,067,891</u>

Reconciliation of net cash flow to movement in net funds

		2003 £	2002 £
(Decrease)/increase in cash		(3,636,903)	3,067,891
Movement in net funds		(3,636,903)	3,067,891
Net funds at 1 February	12 (c)	<u>4,168,930</u>	<u>1,101,039</u>
Net funds at 31 January	12 (c)	<u>532,027</u>	<u>4,168,930</u>

Notes to the financial statements

at 31 January 2003

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

Group financial statements

Group financial statements have not been prepared as the company is entitled to the exemption conferred by section 248 of the Companies Act 1985. Consequently these financial statements only include information about the company as an individual undertaking and not about the group.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Investments

Investments are stated at cost less provision for any impairment in value.

The carrying values of investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

2. Operating loss

This is stated after charging:

	2003 £	2002 £
Auditors' remuneration - audit services	8,372	14,831

Notes to the financial statements

at 31 January 2003

3. Staff costs

No salaries or wages have been paid to employees, including the directors, during the year.

Legal and professional fees totalling £2,937 (2002 - £2,350) for the year have been rendered by a firm in which one of the directors, Mr J G Hemingway, has a material interest.

4. Income from participating interests

	2003 £	2002 £
Dividends received from associated undertaking	450,000	3,000,000
Dividends receivable from subsidiary undertaking	—	4,600,000
	<u>450,000</u>	<u>7,600,000</u>

5. Interest receivable

	2003 £	2002 £
Bank interest receivable	<u>23,550</u>	<u>109,154</u>

6. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2003 £	2002 £
<i>Current tax:</i>		
UK corporation tax	—	10,315
Total current tax (note 6(b))	<u>—</u>	<u>10,315</u>

(b) Factors affecting current tax charge

The differences are reconciled below:

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>453,697</u>	<u>7,683,483</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	136,109	2,305,045
Dividends receivable not taxable for tax purposes	(135,000)	(2,280,000)
Utilisation of tax losses brought forward	—	(14,730)
Group relief surrender at nil cost	(1,109)	—
Total current tax (note 6(a))	<u>—</u>	<u>10,315</u>

Notes to the financial statements

at 31 January 2003

7. Investments

*Subsidiary
undertaking and
associated
undertaking
£*

Cost:

At 1 February 2002 and 31 January 2003

15,000,020

The directors are satisfied that the aggregate value of the investment in subsidiary and associated undertakings is not less than the aggregate of the amounts at which those assets are stated in the company's balance sheet.

The aggregate cost of the investment in subsidiary and associated undertakings has not been apportioned between subsidiary undertaking and associated undertaking and separately disclosed.

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of Company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Subsidiary undertaking Startling Music Limited	Ordinary shares	100%	Music publishing, provision of promotional services and related activities
Associated undertaking Apple Corps Limited	Ordinary shares	25%	Exploitation of musical copyrights

The following information is relevant to the subsidiary and associated undertakings based on their last set of published financial statements, or latest available information:

	<i>Apple Corps Limited Year ended 31 January 2003 £</i>	<i>Startling Music Limited Year ended 31 January 2002 £</i>
Profit for the year after tax	1,688,604	355,750
Aggregate capital and reserves	5,305,954	383,330

Notes to the financial statements

at 31 January 2003

8. Debtors

	2003 £	2002 £
Dividend receivable from subsidiary undertaking	–	4,600,000
Other debtors	49	16,000
Group relief receivable	50,535	50,535
	<u>50,584</u>	<u>4,666,535</u>

9. Creditors: amounts falling due within one year

	2003 £	2002 £
Group relief payable	10,315	10,315
Accruals and deferred income	3,241	9,792
Proposed final dividend	–	8,700,000
	<u>13,556</u>	<u>8,720,107</u>

10. Share capital

	2003 £	Authorised 2002 £
Ordinary shares of £1 each	<u>15,000,000</u>	<u>15,000,000</u>

	No.	Allotted, called up and fully paid 2003 £	No.	2002 £
Ordinary shares of £1 each	14,500,000	<u>14,500,000</u>	14,500,000	<u>14,500,000</u>

11. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total share- holders' funds £
At 1 February 2001	14,500,000	1,642,210	16,142,210
Profit for the year	–	7,673,168	7,673,168
Dividends	–	(8,700,000)	(8,700,000)
At 31 January 2002	<u>14,500,000</u>	<u>615,378</u>	<u>15,115,378</u>
Profit for the year	–	453,697	453,697
At 31 January 2003	<u>14,500,000</u>	<u>1,069,075</u>	<u>15,569,075</u>

Notes to the financial statements

at 31 January 2003

12. Notes to the statement of cash flows

(a) Reconciliation of operating loss to net cash outflow from operating activities

	2003 £	2002 £
Operating loss	(19,853)	(25,671)
Decrease/(increase) in debtors	15,951	—
Decrease in creditors	(6,551)	(3,969)
Net cash outflow from operating activities	<u>(10,453)</u>	<u>(29,640)</u>

(b) Returns on investments and servicing of finance

	2003 £	2002 £
Dividends received	5,050,000	3,000,000
Interest received	23,550	97,531
	<u>5,073,550</u>	<u>3,097,531</u>

(c) Analysis of changes in net funds

	At 1 February 2002 £	Cash flows £	At 31 January 2003 £
Cash at bank and in hand	4,168,930	(3,636,903)	532,027

13. Related party transactions

The company was recharged certain administrative expenses by its subsidiary undertaking, Startling Music Limited, during the year amounting to £8,225 (2002 - £8,225).

Cornwall, an intermediate parent undertaking, surrendered tax losses to the company by way of group relief for the year ended 31 January 2002, for which a group relief payment of £10,315 was provided in the financial statements.

14. Ultimate parent company

The ultimate parent undertaking is Devon Holdings Limited, a company incorporated in the Bahamas.

The company's immediate parent undertaking is Belfry Investments Ltd, a company incorporated in The British Virgin Isles.