

Westway Studios Limited

FINANCIAL STATEMENTS

for the year ended
30 September 2002



Westway Studios Limited

DIRECTORS AND OFFICERS

DIRECTORS

C Jerome
MT Cass

SECRETARY
SEA Standing

REGISTERED OFFICE

Sanctuary House
45-53 Sinclair Road
London W14 0NS

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Westway Studios Limited

DIRECTORS' REPORT

The directors present their report and the financial statements of the company for the year ended 30 September 2002.

PRINCIPAL ACTIVITIES

The principal activity of the company during the period was the operation of studios and set construction facilities for television commercials.

REVIEW OF THE BUSINESS

The results for the year ended 30 September 2002 and the financial position were considered satisfactory by the directors who anticipate continued growth in the foreseeable future.

RESULTS AND DIVIDENDS

The trading loss for the year after taxation was £196,211 (2001: Profit £3,199).

The directors do not recommend the payment of a dividend.

DIRECTORS

The following directors have held office throughout the period:

C Jerome
MT Cass

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The shareholdings of the directors in The Sanctuary Group plc are as follows:

	Ordinary shares of 12.5p each	
	2002	2001
C Jerome	-	-
MT Cass	-	-

INTRODUCTION TO THE EURO

The company is able to handle Euro transactions as required.

Westway Studios Limited

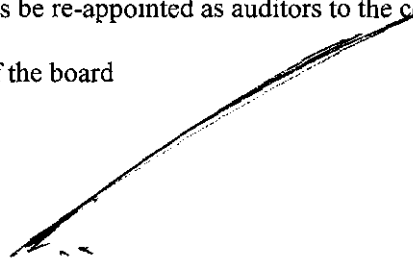
DIRECTORS' REPORT

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Baker Tilly, Chartered Accountants be re-appointed as auditors to the company will be put to the Annual General Meeting.

By order of the board

C Jerome
Director



20 January 2003

Westway Studios Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires 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, 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. 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 requirements of 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.

Westway Studios Limited

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF WESTWAY STUDIOS LIMITED

We have audited the financial statements on pages 6 to 14.

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 opinion 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 are set out in the Statement of Directors' Responsibilities on page 4.

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 and other members of the group 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. 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.

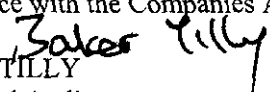
Basis of opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30 September 2002 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
20 January 2003

Westway Studios Limited
PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2002

	<i>Notes</i>	Year to 30 September 2002 £	Nine month period to 30 September 2001 Restated £
TURNOVER	1	1,013,353	974,825
Cost of sales		(562,525)	(543,261)
Gross profit		450,828	431,564
Other operating expenses (net)		(645,603)	(447,778)
OPERATING LOSS		(194,775)	(16,214)
Investment income	2	-	27,570
		(194,775)	11,356
Profit on disposal of leasehold premises		-	6,859
Interest payable		-	(6,731)
Interest receivable		150	-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(194,625)	11,484
Taxation	6	(1,586)	(8,285)
(LOSS)/PROFIT FOR THE PERIOD	13	(196,211)	3,199

The operating loss for the period arises from the company's continuing operations.

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.

Westway Studios Limited

BALANCE SHEET

30 September 2002

	Notes	30 September 2002 £	30 September 2001 Restated £
FIXED ASSETS			
Tangible assets	7	35,892	28,209
CURRENT ASSETS			
Stocks	8	32,013	34,486
Debtors	9	930,207	755,396
Cash at bank and in hand		-	167,366
		962,220	957,248
CREDITORS: amounts falling due within one year	10	(376,424)	(167,558)
NET CURRENT ASSETS		585,796	789,690
TOTAL ASSETS LESS CURRENT LIABILITIES		621,688	817,899
CAPITAL AND RESERVES			
Called up share capital	11	1,950,000	1,950,000
Profit and loss account	12	(1,328,312)	(1,132,101)
SHAREHOLDERS' FUNDS	13	621,688	817,899

Approved by the board on 20 January 2003

C Jerome

Director

Westway Studios Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Plant and machinery	10%
Motor vehicles	25%
Short leasehold property	10%

STOCKS AND WORK IN PROGRESS

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

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated 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

This is a change in accounting policy following the introduction of Financial Reporting Standard No.19 – Deferred Tax

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

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

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

Westway Studios Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2002

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activity. Sales were made exclusively in the United Kingdom.

2 INVESTMENT INCOME

Year ended 30 September 2002 £	Period ended 30 September 2001 £
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Other interest receivable	-	27,570
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3 INTEREST PAYABLE

Year ended 30 September 2002 £	Period ended 30 September 2001 £
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Interest on loans to parent undertaking	-	6,731
	-	6,731

4 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Year ended 30 September 2002 £	Period ended 30 September 2001 £
-----------------------------------------	-------------------------------------------

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

Depreciation and amounts written off tangible fixed assets

Charge for the period

Owned assets	7,919	7,819
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Auditors' remuneration	4,800	2,300
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Westway Studios Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2002

5 EMPLOYEES

Year ended 30 September 2002 £	Period ended 30 September 2001 £
-----------------------------------------	-------------------------------------------

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

Office and management	2	3
Manufacturing	3	3
	<u>5</u>	<u>6</u>

Year ended 30 September 2002 £	Period ended 30 September 2001 £
-----------------------------------------	-------------------------------------------

Staff costs for the above persons:

Wages and salaries	124,834	131,269
Social security costs	12,658	13,311
	<u>137,492</u>	<u>144,580</u>

Year ended 30 September 2002 £	Period ended 30 September 2001 £
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DIRECTORS' REMUNERATION

Emoluments	-	43,583
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Retirement benefits are accruing to one director under a money purchase scheme.

Westway Studios Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2002

6	TAXATION	Year ended 30 September 2002 £	Period ended 30 September 2001 £ Restated
	a) Analysis of charge in year		
	Current tax:		
	UK Corporation tax at 30% (2001 30%)	-	-
	Adjustment in respect of previous years	(207)	-
	Deferred tax:		
	Reversal of timing difference	1,793	8,285
		<u>1,586</u>	<u>8,285</u>
	b) Factors affecting the charge for the year		
	Tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%)	£	£
	The difference is explained below:		
	(Loss)/Profit on ordinary activities before tax	(194,625)	11,484
	(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK at 30% (2001:30%)	(58,388)	3,445
	Capital allowances in excess of depreciation	(1,793)	(3,445)
	Losses surrendered to other group companies	60,181	-
	Adjustments to tax charge in respect of previous periods	(207)	-
	Current tax (note 6a)	<u>(207)</u>	<u>-</u>

Westway Studios Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2002

7	TANGIBLE FIXED ASSETS	<i>Leasehold properties</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings & equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
		£	£	£	£	£
	Cost or valuation					
	1 October 2002	236,325	71,296	64,999	29,445	402,065
	Additions	-	3,750	3,812	10,500	18,062
	Disposals	-	(3,294)	-	(5,500)	(8,794)
	30 September 2002	236,325	71,752	68,811	34,445	411,333
	Depreciation					
	1 October 2002	236,325	55,300	57,179	25,052	373,856
	Charge for the period	-	3,897	2,247	1,775	7,919
	Disposals	-	(2,552)	-	(3,782)	(6,334)
	30 September 2002	236,325	56,645	59,426	23,045	375,441
	Net book value					
	30 September 2002	-	15,107	9,385	11,400	35,892
	30 September 2002	-	15,996	7,820	4,393	28,209
8	STOCKS				2002	2001
					£	£
	Raw materials and consumables				32,013	34,486
9	DEBTORS				2002	2001
					£	£
	Due within one year:					
	Trade debtors				99,976	48,689
	Other debtors				671	-
	Prepayments and accrued income				106,060	64,882
	Amounts due from other group undertakings				699,590	616,122
	Deferred Taxation				3,910	5,703
					910,207	735,396
	Due in more than one year:					
	Rent deposit				20,000	20,000
					930,207	755,396

Westway Studios Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2002

10	CREDITORS: Amounts falling due within one year	2002 £	2001 £
	Bank loans and overdrafts	168,686	-
	Trade creditors	141,927	138,441
	Other taxation and social security	49,598	20,182
	Accruals and deferred income	16,213	8,935
		<u>376,424</u>	<u>167,558</u>

The bank loan and overdraft are secured by a debenture giving fixed or floating charges on all assets of the company. Obligations under finance leases are secured on related assets.

11	DEFERRED TAX	2002 £	2001 £
	Provision for deferred tax is:		
	Accelerated capital allowances	280	2,073
	Tax losses carried forward	3,630	3,630
		<u>3,910</u>	<u>5,703</u>
	At 1 October 2001 as originally reported	-	-
	Prior period adjustment (see note 13)	5,703	13,988
	At 1 October 2001 as restated	<u>5,703</u>	<u>13,988</u>
	Deferred tax charged to profit and loss account	(1,793)	(8,285)
	At 30 September 2002 debtors (see note 9)	<u>3,910</u>	<u>5,703</u>

12	SHARE CAPITAL	2002 £	2001 £
	Authorised		
	1,950,000 (2001: 1,950,000) ordinary shares of £1 each	1,950,000	1,950,000
	Allotted and fully paid		
	1,950,000 (2001: 1,950,000) ordinary shares of £1 each	<u>1,950,000</u>	<u>1,950,000</u>

Westway Studios Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2002

13	PROFIT AND LOSS ACCOUNT	2002 £	2001 £
	1 October 2001 as originally reported	(1,137,804)	(1,149,288)
	Prior period adjustment	5,703	13,988
	1 October 2001 – restated	(1,132,101)	(1,135,300)
	(Loss)/profit for the period	(196,211)	3,199
	30 September 2002	(1,328,312)	(1,132,101)

A prior period adjustment has been made to reflect the new accounting policy under FRS19 – deferred tax

14	RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS	2002 £	2001 £
	Opening shareholders' funds as originally stated	812,196	800,712
	Prior period adjustment	5,703	13,988
	Opening shareholders' funds restated	817,899	814,700
	(Loss)/profit for the period	(196,211)	3,199
	Closing shareholders' funds	621,688	817,899

15 RELATED PARTY TRANSACTIONS

In preparing these financial statements, the directors have taken advantage of the exemptions available under paragraph 3 (c) of the Financial Reporting Standard No.8, Related Party Disclosure.

16 CASH FLOW STATEMENTS

In accordance with Financial Reporting Standard No 1, cash flow statements have not been prepared as the cash flows of the company are included in those of the ultimate parent company, The Sanctuary Group plc.

17 ULTIMATE PARENT COMPANY

In the directors' opinion, the ultimate parent company at 30 September 2002 was The Sanctuary Group plc, a company registered in England and Wales.

Copies of the group financial statements of The Sanctuary Group plc are available from Companies House, Crown Way, Cardiff, CF4 3U