
SOUTHBROOK STUDIOS LIMITED

REPORT AND FINANCIAL STATEMENTS

◆ *Year ended 31 December 1998* ◆



COMPANY NO: 2504301

SOUTHBROOK STUDIOS LIMITED

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SOUTHBROOK STUDIOS LIMITED

COMPANY INFORMATION

Directors D J Dawson (Chairman)
 A Joelson
 P F Dawson
 S S Butt

Secretary P F Dawson

Registered office Studio Parade
 484 London Road
 Isleworth
 Middlesex TW7 4DE

Registered number 2504301

Auditors Robson Rhodes
 Chartered Accountants
 186 City Road
 London EC1V 2NU

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 31 December 1998.

Principal activities

The principal activity of the Company is the operation of studio and set construction facilities for television commercials.

Business review and future developments

The Directors are satisfied with the results of the Company for the year which were achieved in difficult market conditions. They expect improved results for 1999.

Results and dividends

The loss for the year transferred to reserves is £419,343 (1997: £186,274).

The directors do not recommend the payment of an ordinary dividend. Preference dividends and interest arrears totalling £114,780 (1997: £135,919) were transferred to a non-equity reserve.

Directors

The present directors of the company are shown on page 1. Messrs D J Dawson, A Joelson, P F Dawson and S S Butt served throughout the year.

A R Johnson and AR Haworth-Booth resigned as directors on 26 March 1998.

Messrs D J Dawson's and Joelson's interests in the share capital of the ultimate parent undertaking are disclosed in the accounts of the immediate parent undertaking.

Mr P F Dawson holds 31,250 ordinary shares of £1 each.

Mr A R Haworth-Booth and his family are beneficiaries of settlements which own 15,000 (1997: 15,000) of the £1 ordinary shares of the company.

Year 2000 Compliance

The directors are very much aware of the need to assess the exposure to the Year 2000 issue in terms of its effects on its internal systems and operations. The issue, commonly referred to as "The Millennium Bug", arises due to many computer applications being written with only a two digit date representing a specific year. This is expected to cause problems when computers read dates at the turn of the century and the two digit date may not be correctly recognised as the Year 2000.

The directors have reviewed the internal systems and operations and are of the opinion that no material costs are expected to arise as a result of the Year 2000 issue.

REPORT OF THE DIRECTORS
(Continued)

Directors' responsibilities

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 period. In preparing these financial statements, the directors have:

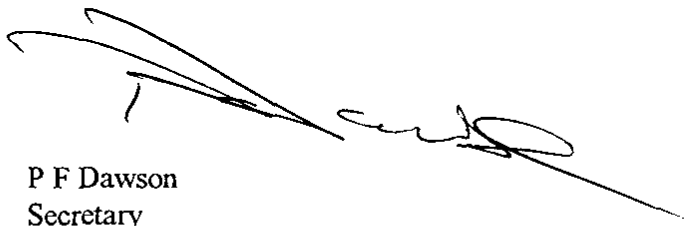
- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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

Messrs Robson Rhodes being eligible offer themselves for re-appointment.

The report of the directors was approved by the Board on 14 April 1999 and signed on its behalf by:



P F Dawson
Secretary

**AUDITORS' REPORT TO THE SHAREHOLDERS
OF SOUTHBROOK STUDIOS LIMITED**

We have audited the financial statements on pages 5 to 15 which have been prepared on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 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 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 as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Robson Rhodes

Robson Rhodes
Chartered Accountants and Registered Auditor

14 April 1999

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1998

	Note	1998 £	1997 £
Turnover - continuing operations	1	1,798,516	1,989,945
Cost of sales		(1,037,204)	(1,274,792)
		<hr/>	<hr/>
Gross profit		761,312	715,153
Administrative expenses (including £325,483 in 1998 relating to the permanent diminution in value of tangible assets)		(1,152,826)	(945,221)
		<hr/>	<hr/>
Operating loss - continuing operations	2	(391,514)	(230,068)
Profit on disposal of fixed assets		4,913	38,434
Interest payable and similar charges	5	(56,753)	(49,991)
Interest receivable and similar income		696	684
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(442,658)	(240,941)
Taxation on (loss) on ordinary activities	6	23,315	54,667
		<hr/>	<hr/>
Loss on ordinary activities after taxation	13	(419,343)	(186,274)
		<hr/> <hr/>	<hr/> <hr/>


The company had no recognised gains or losses in the two years ended 31 December 1998 other than the losses and profits shown above.


SOUTHBROOK STUDIOS LIMITED

BALANCE SHEET at 31 December 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible fixed assets	7	133,517	326,171
		<hr/>	<hr/>
Current assets			
Stocks	8	54,497	61,070
Assets held for disposal	9	1,100,000	1,286,708
Debtors	10	163,095	348,919
Cash at bank and in hand		148,599	69
		<hr/>	<hr/>
		1,466,191	1,696,766
Creditors: Amounts falling due within one year	11	(909,820)	(935,068)
		<hr/>	<hr/>
Net current assets		556,371	761,698
		<hr/>	<hr/>
Total assets less current liabilities		689,888	1,087,869
		<hr/>	<hr/>
Provisions for liabilities and charges	12	(21,362)	-
		<hr/>	<hr/>
Net assets		668,526	1,087,869
		<hr/>	<hr/>
Capital and reserves			
Equity shareholders' fund			
Called up share capital	14	1,250,000	1,250,000
Profit and loss account	13	(1,740,721)	(1,206,598)
		<hr/>	<hr/>
Equity shareholders' fund	15	(490,721)	43,402
		<hr/>	<hr/>
Non-equity shareholders' fund			
Called up share capital	14	700,000	700,000
Non-equity reserves	13	459,247	344,467
		<hr/>	<hr/>
Non-equity shareholders' fund	15	1,159,247	1,044,467
		<hr/>	<hr/>
Total Shareholders' funds	15	668,526	1,087,869
		<hr/>	<hr/>

The financial statements were approved by the Board on 14 April 1999 and signed on its behalf by:


S S Butt
Director


P F Dawson
Director

NOTES TO THE FINANCIAL STATEMENTS

31 December 1998

1. ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with the applicable accounting standards under the historical cost convention. The principal accounting policies which the directors have adopted within that convention are set out below.

Turnover

Turnover represents the amounts derived from the provision of studio and set construction facilities for the production of television commercials, and the letting of unfurnished commercial property net of value added tax. All the company's turnover is generated within the UK.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible fixed assets to write them down over their expected useful lives or lease term if shorter. Where there is evidence of impairment, fixed assets are written down to their recoverable amounts. No depreciation is provided in the year of acquisition, a full year's depreciation is charged in the year of disposal. No depreciation is provided on freehold land. The principal annual rates used are:

Freehold buildings	2%
Long leasehold property	2%
Short leasehold property	10%
Motor vehicles	25%
Plant and machinery	10%

Stock

Stocks are stated at the lower of cost and net realisable value. Costs are those incurred in bringing each product to its present location and condition.

Leased assets

Where assets are financed by leasing agreements ("finance leases") the assets are included in the balance sheet at cost less depreciation in accordance with the Company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

NOTES TO THE FINANCIAL STATEMENTS**31 December 1998****1. ACCOUNTING POLICIES (Continued)****Taxation**

The charge for taxation is based on the results for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made to the extent that it is probable that the liability will become payable in the foreseeable future.

Cash flow statement

The company is exempt from publishing a cash flow statement because it is a small company as defined under S246 to S249 of the Companies Act 1985.

2. OPERATING LOSS

Operating loss is stated after charging:

	1998 £	1997 £
Auditors' remuneration	15,210	9,328
Depreciation of tangible fixed assets		
- owned assets	43,352	89,776
- leased assets	2,375	2,375
Operating lease rentals	-	2,757
Exceptional permanent diminution in value of fixed assets and assets held for disposal	325,483	-
	<hr/>	<hr/>

3. DIRECTORS' EMOLUMENTS

	1998 £	1997 £
Remuneration as executives	65,716	68,700
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS**31 December 1998****4. EMPLOYEE INFORMATION**

- a) The average number of persons including directors employed by the company during the period is analysed below:

	1998 No	1997 No
Office and management	7	7
Set construction and lighting	6	7
	<hr/>	<hr/>
	13	14
	<hr/>	<hr/>

- b) Employment costs of all employees included above:

	1998 £	1997 £
Wages and salaries	256,918	333,794
Social Security costs	26,985	33,697
	<hr/>	<hr/>
	283,903	367,491
	<hr/>	<hr/>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
Interest on overdraft and loans repayable wholly within five years	12,068	49,431
Interest on finance leases	-	560
Interest on loans repayable to parent undertaking	44,685	-
	<hr/>	<hr/>
	56,753	49,991
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 December 1998

6. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	1998 £	1997 £
Amount payable by fellow subsidiaries in respect of group relief	32,067	54,667
Amendment of previous years' estimate	12,610	-
Deferred taxation (see note 12)	(21,362)	-
	<u>23,315</u>	<u>54,667</u>

7. TANGIBLE FIXED ASSETS

	Short leases £	Motor vehicles £	Plant and machinery £	Total £
Cost				
At 1 January 1998	286,325	35,345	328,824	650,494
Additions	-	-	2,150	2,150
Disposals	-	-	(11,145)	(11,145)
	<u>286,325</u>	<u>35,345</u>	<u>319,829</u>	<u>641,499</u>
At 31 December 1998	286,325	35,345	319,829	641,499
Accumulated depreciation				
At 1 January 1998	82,199	24,970	217,154	324,323
Charge for the year	17,746	5,625	32,894	56,265
Disposals	-	-	(8,986)	(8,986)
Diminution in value	136,380	-	-	136,380
	<u>236,325</u>	<u>30,595</u>	<u>241,062</u>	<u>507,982</u>
At 31 December 1998	236,325	30,595	241,062	507,982
Net book value				
31 December 1998	50,000	4,750	78,767	133,517
31 December 1997	<u>204,126</u>	<u>10,375</u>	<u>111,670</u>	<u>326,171</u>

The net book value of tangible assets included £Nil (1997: £7,125) in respect of assets held under finance leases. Depreciation charged in the year on those assets amounted to £2,375 (1997: £2,375).

NOTES TO THE FINANCIAL STATEMENTS**31 December 1998****8. STOCKS**

	1998	1997
	£	£
Raw materials	54,497	61,070

9. ASSETS HELD FOR DISPOSAL

	Freehold land and buildings 1998 £	Freehold land and buildings 1997 £
At 1 January 1998	1,286,708	1,286,708
Additions	2,395	-
Diminution in value	(189,103)	-
At 31 December 1998	1,100,000	1,286,708

The carrying value of the asset is based on the net realisable value of the property.

10. DEBTORS

	1998	1997
	£	£
Trade debtors	92,000	170,712
Prepayments and accrued income	71,095	123,540
Amounts owed by fellow subsidiary undertakings	-	769
Amounts owed by associated undertakings	-	53,898
	163,095	348,919

Included within prepayments is a £20,000 rent deposit refundable in more than one year.

SOUTHBROOK STUDIOS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 December 1998****11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998 £	1997 £
Bank loans and overdraft	-	345,654
Obligations under finance leases	-	2,398
Trade creditors	143,214	203,683
Amounts owed to parent undertaking	687,097	243,673
Other taxation and social security	55,290	92,723
Accruals and deferred income	24,219	46,937
	<u>909,820</u>	<u>935,068</u>

Amounts due to Southbrook Group Limited are secured over the freehold property of the company at Isleworth. Interest is payable at 1% above Barclays Bank plc base rate.

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 January 1998	-
Transfer from profit and loss account	21,362
	<u>21,362</u>
At 31 December 1998	<u>21,362</u>

Deferred taxation comprises:	Provided		Not provided	
	1998 £	1997 £	1998 £	1997 £
Accelerated allowances	56,299	-	(19,721)	73,247
Losses carried forward	(34,937)	-	-	(65,473)
	<u>21,362</u>	<u>-</u>	<u>(19,721)</u>	<u>7,774</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 1998

13. RESERVES

	1998 £	1997 £
Profit and loss account		
Loss for year	(419,343)	(186,274)
Transfer to non-equity reserve	(114,780)	(135,919)
	<u>(534,123)</u>	<u>(322,193)</u>
Balance at 1 January	(1,206,598)	(884,405)
	<u>(1,740,721)</u>	<u>(1,206,598)</u>
Non-equity reserve		
Balance at 1 January	344,467	208,548
Transfer from profit and loss account	114,780	135,919
	<u>459,247</u>	<u>344,467</u>

14. SHARE CAPITAL

	1998 £	1997 £
Authorised		
700,000 10% cumulative convertible redeemable preference shares of £1 each	700,000	700,000
1,250,000 ordinary shares of £1 each	1,250,000	1,250,000
	<u>1,950,000</u>	<u>1,950,000</u>
Allotted and fully paid		
700,000 10% cumulative redeemable preference shares of £1 each	700,000	700,000
1,250,000 ordinary shares of £1 each	1,250,000	1,250,000
	<u>1,950,000</u>	<u>1,950,000</u>

NOTES TO THE FINANCIAL STATEMENTS**31 December 1998****14. SHARE CAPITAL (Continued)****Cumulative convertible redeemable preference shares**

Dividends are payable on 17 March and 17 September at 10% per annum. The shares normally carry no votes but are convertible by the holder at any time into fully paid ordinary £1 shares. The shares are redeemable at any time at the company's option. At 31 December 1998, arrears of preference dividends totalled £459,721 (1997: £344,467) and were transferred to a non-equity reserve.

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Equity shareholder's funds		
Loss for year	(419,343)	(186,274)
Transfer to non-equity reserve	(114,780)	(135,919)
Opening equity shareholders' funds	43,402	365,595
	<hr/>	<hr/>
Closing equity shareholders' funds	(490,721)	43,402
	<hr/>	<hr/>
Non equity shareholders' funds		
Transfer from equity reserves	114,780	135,919
Opening non equity shareholder's funds	1,044,467	908,548
	<hr/>	<hr/>
Closing non equity shareholders' funds	1,159,247	1,044,467
	<hr/>	<hr/>
Total shareholders' fund	668,526	1,087,869
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16. FINANCIAL COMMITMENTS**Operating leasing commitments**

The annual commitments under operating leases are analysed according to the period in which each lease expires as follows:

	1998 £	1997 £
(i) Land and buildings		
Leases expiring beyond five years	254,376	240,875
	<hr/>	<hr/>
(ii) Plant and machinery		
Leases expiring within 1-5 years	-	4,200
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 December 1998

17. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Southbrook Corporation, a company incorporated in the USA.

The smallest group of undertakings, of which the company is a member, that prepares group accounts is headed by Southbrook Group Limited which is registered in England and Wales. Its group accounts are available to the public (on payment of the appropriate fee), from Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.