

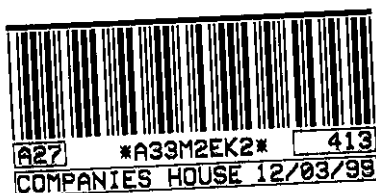
Red Rooster Television Limited

(formerly Red Rooster Film and Television Entertainment Limited)

Directors' report and financial statements

31 August 1998

Registered number 2534147



Directors' report and financial statements

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Directors' report

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

Principal activities, trading review and future developments

The principal activity of the company is to develop and produce film and television programmes. The directors do not anticipate any change to these activities over the coming year.

Results and dividends

The loss for the year and transfer from reserves (*1997: loss and transfer to reserves*) are set out in the profit and loss account on page 5.

The directors do not anticipate the payment of a dividend for the year under review (*1997: £nil*).

Directors and directors' interests

The directors who held office during the year were as follows:

MJ Pilsworth	
L James	(resigned 26 June 1998)
S Bayly	(resigned 26 June 1998)
CN Spurgeon	
J Blessyn	

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

At 31 August 1998 and 31 August 1997, MJ Pilsworth was also a director of Chrysalis Group plc, the ultimate parent company, and his share interests are disclosed in the directors' report of that company.

At 1 September 1997, CN Spurgeon had options to acquire 10,000 ordinary 10p shares of the ultimate parent company, Chrysalis Group plc. On 24 September 1997, he exercised 5,000 at a price of £1.02 per share. The market price on this date was £5.71. On 18 February 1998, in accordance with the rules of the scheme, the number of shares under option and the option price were amended as a result of the increase in the Company's issued share capital following the Placing and Open Offer which was completed on 29 August 1997. On 4 March 1998, he exercised 5,044 at a price of £2.46 per share. The market price on this date was £7.30.

Post balance sheet events

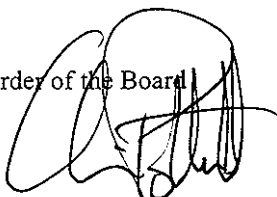
On 23 October 1998 the company changed its name to Red Rooster Television Limited from Red Rooster Film and Television Entertainment Limited.

Directors' report

Year 2000 Compliance

The Chrysalis Group, of which this company is a part, has upgraded both its internal computer network and its main accounting software over the past 18 months. In carrying out these two major upgrades the Directors have sought to ensure that the new hardware and software selected was Year 2000 compliant. The Directors of the Group are also in the process of assessing the compliance of all other computer hardware, software and other electronic equipment which uses time-coded software in use throughout the Group. Where instances of non-compliance have been found, these have been noted and the necessary changes are being made as part of the Group's normal ongoing replacement cycle before 31 December 1999. An internal working party comprising senior information technology and accounting personnel meets on a regular basis to plan and control the implementation of changes and review progress.

By order of the Board



CR Potterell
Secretary

The Chrysalis Building
Bramley Road
London W10 6SP

24 Feb. 1999

Statement of 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditor's report to the members of Red Rooster Television Limited

We have audited the financial statements on pages 5 to 15.

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 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 the company's affairs as at 31 August 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

24 February 1999

Profit and loss account

for the year ended 31 August 1998

	<i>Notes</i>	1998 £	1997 £
Turnover	<i>1</i>	4,777,349	2,466,866
Cost of sales		(4,354,206)	(2,017,455)
Gross profit		423,143	449,411
Distribution costs		(12,165)	(3,281)
Administrative expenses		(689,781)	(689,106)
Other operating income	<i>5</i>	197,410	-
Operating loss		(81,393)	(242,976)
Other interest receivable and similar income	<i>6</i>	11,947	5,283
Interest payable and similar charges	<i>7</i>	(51,517)	(47,099)
Loss on ordinary activities before taxation	<i>2</i>	(120,963)	(284,792)
Tax on ordinary activities	<i>8</i>	(171)	-
Loss on ordinary activities after taxation		(121,134)	(284,792)
Accumulated losses brought forward		(943,603)	(658,811)
Accumulated losses carried forward		(1,064,737)	(943,603)

Amounts relating to turnover and operating loss in the current and previous year derive from continuing activities.

The notes on pages 8 to 15 form part of these financial statements.

Statement of total recognised gains and losses

for the year ended 31 August 1998

There were no recognised gains or losses in the current or previous years other than the accumulated (loss)/profit for those years.

Reconciliation of movements in shareholders' funds

for the year ended 31 August 1998

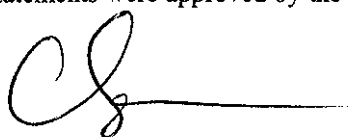
	1998 £	1997 £
Shareholders' deficit brought forward	(728,520)	(443,728)
Loss retained in the year	(121,134)	(284,792)
	<hr/>	<hr/>
Shareholders' deficit carried forward	(849,654)	(728,520)
	<hr/> <hr/>	<hr/> <hr/>

Balance sheet

at 31 August 1998

	Note	1998	1997
		£	£
Fixed assets			
Tangible assets	9	20,024	36,592
Current assets			
Stock	10	825	133,231
Debtors	11	600,405	501,639
Cash at bank and in hand		221,495	440,096
		<u>822,725</u>	<u>1,074,966</u>
Creditors: amounts falling due within one year	12	<u>(1,692,403)</u>	<u>(1,840,078)</u>
Net current liabilities		<u>(869,678)</u>	<u>(765,112)</u>
Total assets less current liabilities		<u>(849,654)</u>	<u>(728,520)</u>
Net liabilities		<u>(849,654)</u>	<u>(728,520)</u>
Capital and reserves			
Called up share capital	13	133	133
Share premium account		214,950	214,950
Profit and loss account		<u>(1,064,737)</u>	<u>(943,603)</u>
Shareholders' deficit - equity		<u>(849,654)</u>	<u>(728,520)</u>

These financial statements were approved by the Board of directors on 24 Feb 1999 and were signed on its behalf by:



CN Spurgeon
Director

The notes on pages 8 to 15 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The following policies have been consistently applied:

Going concern

The ultimate parent company has informed the company that it is their present intention to provide such financial support as is required for the company's continued operations.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of film production services to customers during the year. Turnover relates wholly to the company's principal activity in the UK.

Television production income recognition

Where the outcome can be assessed with reasonable certainty, turnover and attributable profits are recognised on contracts, which are incomplete at the end of the year, in the proportion that costs incurred to date bear to estimated ultimate costs, after making provision for anticipated losses.

Development expenditure

Pre-contract development expenditure is written off in the period in which it is incurred except where it relates to a clearly defined contract, the outcome of which can be assessed with reasonable certainty as to its success and commercial viability. In such cases pre-contract development expenditure and production costs are deferred to the extent that recovery can be reasonably regarded as assured and the costs are written off against revenue over the period of the contract.

Fixed assets and depreciation

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives at the following annual rates:

Fixtures and fittings	-	25%
Plant and machinery	-	25%
Leasehold improvements	-	over period of lease - 5 years

Translation of foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are taken into account in arriving at the loss on ordinary activities.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

Pensions relating to current and past service are funded by annual contributions to the group's pension scheme. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The contributions to the defined benefits section are determined by a qualified actuary on the basis of triennial valuations using the attained age method.

2 Loss on ordinary activities before taxation

	1998	1997
	£	£
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	2,500	4,800
Depreciation and other amounts written off tangible fixed assets:		
Owned	30,662	49,850
Hire of plant and machinery - operating leases	2,448	3,540
Hire of other assets - operating leases	39,152	51,590
	<u> </u>	<u> </u>

Notes (continued)

3 Remuneration of directors

	1998	1997
	£	£
Directors' emoluments:		
Highest paid director	183,130	105,230
Chairman	53,491	33,433
	<hr/>	<hr/>
	236,621	138,663
	<hr/>	<hr/>
	1998	1997
	£	£
Directors' emoluments:		
Salary and fees	199,165	133,473
Bonus	37,456	5,190
	<hr/>	<hr/>
	236,621	138,663
	<hr/>	<hr/>

Compensation for loss of office payments totalling £111,464 were made during the year to directors in connection with the termination of their service agreements.

MJ Pilsworth received remuneration from Chrysalis Group plc which is disclosed in the financial statements of that company.

4 Staff numbers and costs

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

	Number of employees	
	1998	1997
Office and management	8	11
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1998	1997
	£	£
Wages and salaries	391,278	365,617
Social security costs	29,788	35,290
Other pension costs	5,920	10,404
	<hr/>	<hr/>
	426,986	411,311
	<hr/>	<hr/>

Notes (continued)

5 Other operating income

	1998 £	1997 £
Settlement receivable	197,410	-
	<u>197,410</u>	<u>-</u>

6 Other interest receivable and similar income

	1998 £	1997 £
Rental income receivable from group undertakings	7,000	-
Bank interest receivable	4,947	5,283
	<u>11,947</u>	<u>5,283</u>

7 Interest payable and similar charges

	1998 £	1997 £
Amounts payable to group undertakings	51,517	47,099
	<u>51,517</u>	<u>47,099</u>

8 Taxation

No tax charge arises in the current year because of available tax losses (1997:£nil). Withholding tax written off in the year amounted to £171.

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements £	Equipment and computers fixtures and fittings £	Plant and machinery £	Total £
<i>Cost</i>				
At beginning of year	82,761	105,571	7,500	195,832
Additions	9,500	4,594	-	14,094
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	92,261	110,165	7,500	209,926
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	63,261	88,479	7,500	159,240
Charge for year	21,084	9,578	-	30,662
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	84,345	98,057	7,500	189,902
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 August 1998	7,916	12,108	-	20,024
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 1997	19,500	17,092	-	36,592
	<hr/>	<hr/>	<hr/>	<hr/>

10 Stock

	1998 £	1997 £
Work in progress	825	133,231
	<hr/>	<hr/>

Notes (continued)

11 Debtors: due within one year

	1998 £	1997 £
Trade debtors	1,512	349,843
Amounts owed by group undertakings	23,272	76,169
Other debtors	18,575	28,898
Prepayments and accrued income	557,046	46,729
	<hr/> 600,405 <hr/>	<hr/> 501,639 <hr/>

12 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank loans and overdrafts	-	37,318
Trade creditors	410,059	203,785
Amounts owed to group undertakings	927,322	632,860
Other creditors including taxation and social security:		
Other taxes and social security	165,671	187,397
Other creditors	79,108	263,731
Accruals and deferred income	110,243	514,987
	<hr/> 1,692,403 <hr/>	<hr/> 1,840,078 <hr/>

Notes (continued)

13 Called up share capital

Equity	1998	1997
	£	£
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each		
50 "A" Ordinary shares	50	50
50 "B" Ordinary shares	50	50
33 "C" Ordinary shares	33	33
	<hr/>	<hr/>
	133	133
	<hr/>	<hr/>

14 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	1998		1997	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	23,097	3,580
2-5 years	29,500	3,180	-	1,233
Over five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	29,500	3,180	23,097	4,813
	<hr/>	<hr/>	<hr/>	<hr/>

15 Pension costs

The UK Group operates a pension scheme with a defined benefits section and a defined contributions section. The defined benefits section was closed to new entrants after 1 July 1994. The assets of the scheme are held under trust separately from those of the group, and are invested by external fund managers.

Further details of the scheme are given in the financial statements of Chrysalis Group plc, the ultimate parent company.

Notes *(continued)*

16 Cash flow statements

The company is exempt from the requirement of Financial Reporting Statement No 1 (revised 1996) to prepare a cash flow statement on the grounds that its parent undertaking, Chrysalis Group plc, includes the company in its own published consolidated financial statements.

17 Related party transactions

As the company is a wholly owned subsidiary of Chrysalis Group plc, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated statements of Chrysalis Group plc, within which the company is included, can be obtained from the address given in note 19. There were no other related party transactions.

18 Post balance sheet events

On 23 October 1998 the company changed its name to Red Rooster Television Limited from Red Rooster Film and Television Entertainment Limited.

19 Ultimate parent company

The ultimate parent company is Chrysalis Group plc, which is registered in England and Wales. The accounts of this company may be obtained from The Secretary, Chrysalis Group plc, The Chrysalis Building, Bramley Road, London W10 6SP.