

Carrington Productions International Limited

Directors' report and financial statements

31 March 1996

Registered number 2663236



Carrington Productions International Limited

Directors' report and financial statements

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Carrington Productions International Limited

Directors' report

The directors present their report, together with the financial statements for the year ended 31 March 1996.

Principal activity

The principal activity of the company during the year was investment in the family entertainment industry.

Business review

The company has developed and co-produced a number of animated productions for the family audience, in which it owns intellectual copyright rights.

The directors remain confident that the company can take advantage of increasing worldwide markets for intellectual properties and are encouraged by initial sales figures.

Results and dividends

The loss after taxation attributable to shareholders is £324,000 (1995: £260,000) and has been transferred to reserves. The directors do not recommend the payment of a dividend (1995: £nil).

Tangible fixed assets

A summary of the movements in the company's tangible fixed assets is shown in note 8 to the financial statements.

Directors

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

TJ Hemmings
CJ Hemmings
FJ Livesey (resigned 1 April 1996)
JM Kirkland
IR Penrose
M Robinson (appointed 1 April 1995)

The interest of Mr TJ Hemmings in the company's ultimate parent undertaking, TJH Group Limited, are disclosed in the financial statements of that company.

No rights to subscribe for shares in or debenture of the company were granted to any of the directors or their families, or exercised by them, during the financial year.

Carrington Productions International Limited

Directors' report *(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 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; 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 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.

Auditors

Pursuant to a shareholders' resolution the company is not obliged to re-appoint its auditors annually and KPMG will therefore continue in office.

By order of the board

JF Williams

JF Williams
Secretary

Gleadhill House
Dawbers Lane
Euxton
Chorley
Lancashire
PR7 6EA

30/9/1996



Edward VII Quay
Navigation Way
Ashton-on-Ribble
PRESTON
Lancashire PR2 2YF

Report of the auditors to the members of Carrington Productions International Limited

We have audited the financial statements on pages 4 to 11.

Respective responsibilities of directors and auditors

As described on page 2, 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 affairs of the company as at 31 March 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

30 September 1996



Carrington Productions International Limited

Profit and loss account

for the year ended 31 March 1996

	Note	1996 £000	1995 £000
Turnover	<i>1</i>	154	-
Cost of sales		(172)	-
Gross loss		(18)	-
Administrative expenses		(142)	(109)
Operating loss	<i>2</i>	(160)	(109)
Amounts written off investments	<i>9</i>	(31)	(117)
Loss on ordinary activities before interest		(191)	(226)
Interest payable	<i>3</i>	(133)	(34)
Retained loss for the financial year	<i>14</i>	(324)	(260)

All amounts relate to continuing activities.

The profit and loss account includes the only gains and losses of the company for the current and prior year.

There was no material difference between the reported losses and the historical cost losses of the company.

Carrington Productions International Limited

Balance sheet

as at 31 March 1996

	Note	1996 £000	1995 £000
Fixed assets			
Intangible assets	7	656	-
Tangible assets	8	14	17
Investments	9	-	15
		<u>670</u>	<u>32</u>
Current assets			
Stock	10	1,883	573
Debtors	11	148	56
Cash at bank and in hand		-	30
		<u>2,031</u>	<u>659</u>
Creditors: amounts falling due within one year	12	(209)	(8)
Net current assets		<u>1,822</u>	<u>651</u>
Creditors: amounts falling due after one year	12	(3,200)	(1,067)
		<u>(708)</u>	<u>(384)</u>
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	(708)	(384)
Equity shareholders' funds	15	<u>(708)</u>	<u>(384)</u>

Approved by the board of directors on 30/9/1996 and signed on its behalf by:



CJ Hemmings
Director

Carrington Productions International Limited

Notes to the financial statements

1 Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of TJH Group Limited, and its cash flows are included within the consolidated cash flow statement of that company.

Animation projects

Investment projects that are in development are classified as work in progress. Completed investment projects are classified as intangible fixed assets. Investment projects in development are stated at cost directly incurred on the project less provisions. On completion of the development stage of a project, the carrying value is transferred to intangible fixed assets. The intangible fixed assets are amortised so as to write off the cost, less any residual value, over the expected useful life of the project in line with revenues earned.

Profit is only recognised on investment projects when the outcome can be foreseen with reasonable certainty. Carrying values are regularly reviewed and provisions made against any projects to the extent that expected future revenues are less than the project's carrying value.

Fixed assets and depreciation

The cost of tangible fixed assets less their estimated residual value is written off on a straight line basis over their estimated useful lives. The principal annual rates in use are:

Motor vehicles	-	25%
Fixtures and fittings	-	15%

Taxation

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

2 Operating loss

	1996 £000	1995 £000
<i>Operating loss is stated</i>		
<i>after charging:</i>		
Depreciation:		
Owned assets	4	-
Auditors' remuneration	3	2
	<hr/>	<hr/>

Carrington Productions International Limited

Notes (continued)

3 Interest payable

	1996 £000	1995 £000
Bank loans and overdrafts repayable within five years	17	23
On loans from group undertakings	116	11
	<u>133</u>	<u>34</u>

4 Taxation

There is no tax charge in the year due to the losses incurred (1995: £nil).

5 Staff numbers and costs

	1996 £000	1995 £000
<i>Employee costs (including directors):</i>		
Wages and salaries	30	-
Social security costs	3	-
	<u>33</u>	<u>-</u>

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

	Number of employees	
	1996	1995
Management	<u>6</u>	<u>5</u>

6 Director's remuneration

Emoluments paid to the directors of the company during the year were £30,000 (1995: £nil). In addition, £26,000 (1995: £26,000) was paid in fees to a third party for making the services of a director available.

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Notes (continued)

7 Intangible fixed assets

	Intellectual Property £000
<i>Cost</i>	
At 1 April 1995	-
Additions	804
Transfer from investments	15
At 31 March 1996	819
<i>Amortisation</i>	
At 1 April 1995	-
Charge for the year	163
At 31 March 1996	163
<i>Net book value</i>	
At 31 March 1996	656
At 1 April 1995	-

8 Tangible fixed assets

	Motor vehicles £000	Fixtures and fittings £000	Total £000
<i>Cost</i>			
At 1 April 1995	17	-	17
Additions	-	1	1
At 31 March 1996	17	1	18
<i>Depreciation</i>			
At 1 April 1995	-	-	-
Charge for the year	4	-	4
At 31 March 1996	4	-	4
<i>Net book value</i>			
At 31 March 1996	13	1	14
At 1 April 1995	17	-	17

Carrington Productions International Limited

Notes (continued)

9 Investments

	Intellectual property £000	Other loans £000	Total £000
<i>Cost</i>			
At 1 April 1995	15	217	232
Transfer to intangible fixed assets	(15)	-	(15)
Additions	-	31	31
Diminution in value	-	(248)	(248)
At 31 March 1996	-	-	-
<i>Amortisation</i>			
At 1 April 1995	-	217	217
Charge for the year	-	31	31
Diminution in value	-	(248)	(248)
At 31 March 1996	-	-	-
<i>Net book value</i>			
At 31 March 1996	-	-	-
At 1 April 1995	15	-	15

10 Stock

	1996 £000	1995 £000
Work in progress	1,883	573

11 Debtors

	1996 £000	1995 £000
Other debtors	148	56

Carrington Productions International Limited

Notes (continued)

12 Creditors

	1996 £000	1995 £000
<i>Amounts falling due within one year:</i>		
Bank overdrafts	190	-
Trade creditors	15	2
Other taxation and social security	2	-
Accruals and deferred income	2	6
	<u>209</u>	<u>8</u>
<i>Amounts falling due after one year</i>		
Amounts owed to parent and fellow subsidiary undertakings	3,200	1,067

The bank overdraft is secured by a fixed and floating charge over the company's assets.

13 Called up share capital

	1996 £000	1996 £000
<i>Authorised</i>		
100,000 ordinary shares of £1 each	100	100
<i>Allotted and fully paid</i>		
100 ordinary shares of £1 each	-	-

14 Reserves

	Profit and loss account £000
At 1 April 1995	(384)
Loss for the financial year	(324)
At 31 March 1996	<u>(708)</u>

15 Reconciliation of movement in shareholders' funds

	1996 £000	1995 £000
Loss for the financial year	(324)	(260)
Shareholders' funds at beginning of year	(384)	(124)
Shareholders' funds at end of year	<u>(708)</u>	<u>(384)</u>

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Notes *(continued)*

16 **Contingent liabilities**

The company is party to group banking arrangements for TJH Group Limited. Consequently, it is jointly and severally liable for the loans and overdrafts of TJH Group Limited and certain of its subsidiary undertakings. At 31 March 1996 the liability under this guarantee amounted to £124,230,000 (1995: £125,342,000).

17 **Ultimate parent company**

The ultimate parent company is TJH Group Limited, a company registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by TJH Group Limited. The consolidated financial statements of TJH Group Limited are available to the public and may be obtained from:

The Registrar of Companies
Companies House
Crown Way
CARDIFF
CF4 3UZ

Carrington Productions International Limited

Detailed trading profit and loss account for the year ended 31 March 1996

	1996		1995	
	£000	£000	£000	£000
Turnover				
Cost of sales		154		-
Gross profit		(172)		-
Gross loss		<u>(18)</u>		<u>-</u>
Administrative expenses				
Wages and salaries	33		-	
Audit and accountancy	3		1	
Printing and stationery	4		1	
Telephone and postage	2		-	
Legal, professional and consultancy	31		56	
Sundry expenses	1		-	
Insurance	1		-	
Unrealised development costs	-		4	
Motor and travel	50		40	
Advertising and promotion costs	8		5	
Management charges	3		2	
Subscriptions and donations	1		-	
Depreciation	4		-	
Bank charges	1		-	
Interest payable	<u> </u>	(142)	<u> </u>	(109)
		(133)		(34)
Amounts written off investments		(31)		(117)
Retained loss for the financial year		<u>(324)</u>		<u>(260)</u>