

# **Carrington Productions International Limited**

## **Directors' report and financial statements**

**31 March 1997**

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 1997.

### 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 property rights.

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

### Results and dividends

The loss after taxation attributable to shareholders is £649,000 (1996: £324,000) and has been transferred to reserves. The directors do not recommend the payment of a dividend (1996: £nil).

### Directors

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

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

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



**IR Penrose**  
*Director*

Lynton House  
Ackhurst Park  
Chorley  
Lancashire  
PR7 1NY

21 July 1997



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 1997 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*

21 July 1997

# Carrington Productions International Limited

## Profit and loss account

*for the year ended 31 March 1997*

	<i>Note</i>	<b>1997</b> <b>£000</b>	<b>1996</b> <b>£000</b>
<b>Turnover</b>	<i>1</i>	<b>2</b>	<b>154</b>
Cost of sales		-	(172)
<b>Gross profit/(loss)</b>		<b>2</b>	<b>(18)</b>
Administrative expenses		(223)	(142)
<b>Operating loss</b>	<i>2</i>	<b>(221)</b>	<b>(160)</b>
Amounts written off investments		-	(31)
<b>Loss on ordinary activities before interest</b>		<b>(221)</b>	<b>(191)</b>
Net interest payable	<i>3</i>	(428)	(133)
<b>Retained loss for the financial year</b>	<i>13</i>	<b>(649)</b>	<b>(324)</b>

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 1997

	Note	1997		1996	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	7		2,972		656
Tangible assets	8		10		14
			<u>2,982</u>		<u>670</u>
<b>Current assets</b>					
Stock	9	2,871		1,883	
Debtors	10	961		148	
		<u>3,832</u>		<u>2,031</u>	
<b>Creditors: amounts falling due within one year</b>	11	(272)		(209)	
<b>Net current assets</b>			<u>3,560</u>		<u>1,822</u>
<b>Total assets less current liabilities</b>			<u>6,542</u>		<u>2,492</u>
<b>Creditors: amounts falling due after one year</b>	11		(7,899)		(3,200)
			<u>(1,357)</u>		<u>(708)</u>
<b>Capital and reserves</b>					
Called up share capital	12		-		-
Profit and loss account	13		(1,357)		(708)
<b>Equity shareholders' funds</b>	14		<u>(1,357)</u>		<u>(708)</u>

Approved by the board of directors on 21 July 1997 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 Number 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.

The company is exempt by issue of S228 of the Companies Act 1985 from the requirement to prepare group financial statements. These statements present information about the company as an individual entity and not about its group.

The accounts have been prepared on a going concern basis which the directors believe to be appropriate for the following reason. The company is reliant on its ultimate parent undertaking for its continued support. The ultimate parent company has indicated its continued support for the foreseeable future.

#### *Related party transactions*

The directors have taken advantage of the exemption in Financial Reporting Standard Number 8, paragraph 3(c) and have not disclosed the related party transactions with parent and fellow subsidiary undertakings.

#### *Turnover*

Turnover represents the amounts (excluding VAT) derived from the rights held in various intellectual properties.

#### *Intangible fixed assets- 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.

#### *Tangible 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%



# Carrington Productions International Limited

## Notes (continued)

### 1 Statement of accounting policies (continued)

#### *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

	1997 £000	1996 £000
<i>Operating loss is stated after charging:</i>		
Depreciation:		
Owned assets	4	4
Auditors' remuneration	4	3
	<u>      </u>	<u>      </u>

### 3 Net interest payable

	1997 £000	1996 £000
Bank loans and overdrafts repayable within five years	36	17
On loans from group undertakings	392	116
	<u>      </u>	<u>      </u>
	<u>428</u>	<u>133</u>

### 4 Taxation

There is no tax charge in the year due to the losses incurred (1996: £nil).

# Carrington Productions International Limited

## Notes (continued)

### 5 Staff numbers and costs

	1997 £000	1996 £000
<i>Employee costs (including directors):</i>		
Wages and salaries	58	30
Social security costs	6	3
	<u>64</u>	<u>33</u>
	<u><u>64</u></u>	<u><u>33</u></u>

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

	Number 1997	Number 1996
Management	7	6
	<u><u>7</u></u>	<u><u>6</u></u>

### 6 Director's remuneration

Directors' remuneration of £63,000 (1996: £30,000) includes pension contributions of £nil (1996: £nil). The total remuneration of the Chairman was £nil (1996: £nil). The remuneration of the highest paid director of £33,000 (1996: £30,000) was as follows:

	1997 £000	1996 £000
Salary	29	30
Benefits in kind	4	-
	<u>33</u>	<u>30</u>
	<u><u>33</u></u>	<u><u>30</u></u>

In addition £nil (1996: £26,000) was paid in fees to a third party for the services of a director.

# Carrington Productions International Limited

## Notes (continued)

### 7 Intangible fixed assets

	Intellectual Properties £000
<b>Cost</b>	
At 1 April 1996	819
Additions	2,316
At 31 March 1997	<u>3,135</u>
<b>Amortisation</b>	
At 1 April 1996	163
Charge for the year	-
At 31 March 1997	<u>163</u>
<b>Net book value</b>	
At 31 March 1997	<u>2,972</u>
At 1 April 1996	<u>656</u>

### 8 Tangible fixed assets

	Motor vehicles £000	Fixtures and fittings £000	Total £000
<b>Cost</b>			
At 1 April 1996	17	1	18
At 31 March 1997	<u>17</u>	<u>1</u>	<u>18</u>
<b>Depreciation</b>			
At 1 April 1996	4	-	4
Charge for the year	4	-	4
At 31 March 1997	<u>8</u>	<u>-</u>	<u>8</u>
<b>Net book value</b>			
At 31 March 1997	<u>9</u>	<u>1</u>	<u>10</u>
At 1 April 1996	<u>13</u>	<u>1</u>	<u>14</u>

# Carrington Productions International Limited

## Notes (continued)

### 9 Stock

1997	1996
£000	£000

Work in progress	2,871	1,883
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### 10 Debtors

1997	1996
£000	£000

Amounts owed by subsidiary undertaking	811	-
Other debtors	140	148
Prepayments	10	-
	<u>961</u>	<u>148</u>

### 11 Creditors

1997	1996
£000	£000

#### *Amounts falling due within one year:*

Bank overdrafts	50	190
Trade creditors	13	15
Amounts owed to parent and fellow subsidiary undertakings	200	-
Other taxation and social security	2	2
Accruals and deferred income	7	2
	<u>272</u>	<u>209</u>

#### *Amounts falling due after one year*

Amounts owed to parent and fellow subsidiary undertakings	7,899	3,200
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The bank overdraft is secured by a fixed and floating charge over the company's assets.

The loans from group undertakings bear interest at market rates and are due for repayment within five years.

### 12 Called up share capital

1997	1996
£000	£000

#### *Authorised*

100,000 ordinary shares of £1 each	100	100
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#### *Allotted and fully paid*

100 ordinary shares of £1 each	-	-
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# Carrington Productions International Limited

## Notes (continued)

### 13 Reserves

Profit and  
loss account  
£000

At 1 April 1996	(708)
Loss for the financial year	(649)

At 31 March 1997	<u>(1,357)</u>
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### 14 Reconciliation of movement in shareholders' funds

	1997 £000	1996 £000
Loss for the financial year	(649)	(324)
Shareholders' funds at beginning of year	(708)	(384)
Shareholders' funds at end of year	<u>(1,357)</u>	<u>(708)</u>

### 15 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 1997 the liability under this guarantee amounted to £120,698,000 (1996: £124,230,000).

### 16 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