

Company Registration No. 2671052 (England and Wales)

THE AMBASSADOR THEATRE GROUP LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2004



THE AMBASSADOR THEATRE GROUP LIMITED

DIRECTORS AND ADVISERS

Directors	Sir Eddie Kulukundis OBE H H Panter D Beresford Jones P M Beckwith R A Squire C A Smith L I Isaacson CBE D Blyth N W Humby J Simpson J L Tanner R G Orf D G D Cassidy H J Enright W S Benjamin A R Gavin S P Berrill M C Lynas J Cresswell (Appointed 16 June 2004) R A James M Pashley M Leigh (Appointed 25 March 2004) R A James acts as an alternate for W S Benjamin. M Leigh acts as an alternate for P M Beckwith.
Secretary	H J Enright
Company number	2671052
Registered office	The Ambassadors Peacocks Centre Woking Surrey GU21 6GQ
Registered auditors	Saffery Champness Lion House Red Lion Street London WC1R 4GB
Bankers	National Westminster Bank plc PO Box 113 Cavell House 2A Charing Cross Road London WC2H 0PD

THE AMBASSADOR THEATRE GROUP LIMITED

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THE AMBASSADOR THEATRE GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2004

The directors present their report and financial statements for the year ended 30 September 2004.

Directors

The following directors have held office since 1 October 2003:

Sir Eddie Kulukundis OBE

H H Panter

D Beresford Jones

P M Beckwith

R A Squire

C A Smith

L I Isaacson CBE

D Blyth

N W Humby

J Simpson

J L Tanner

R G Orf

D G D Cassidy

H J Enright

W S Benjamin

A R Gavin

S P Berrill

N N Walmsley

(Resigned 16 February 2004)

M C Lynas

J Cresswell

(Appointed 16 June 2004)

R A James

M Pashley

M Leigh

(Appointed 25 March 2004)

R A James acts as an alternate for W S Benjamin.

M Leigh acts as an alternate for P M Beckwith.

Principal activities and review of the business

The principal activity of the company continued to be that of managing a group of companies operating theatres and producing theatrical productions.

The group acquired the lease of New Wimbledon Theatre in February 2004 and a 50% interest in the lease of the Playhouse Theatre in London in March 2004.

The results for the year and the financial position at the year end were considered satisfactory by the directors given the difficult trading conditions in London and the start up losses within New Wimbledon Theatre and the Playhouse Theatre. The directors expect renewed growth in the foreseeable future.

Results and dividends

The consolidated profit and loss account for the year is set out on page 7.

The directors do not recommend payment of an ordinary dividend.

THE AMBASSADOR THEATRE GROUP LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2004

Market value of land and buildings

The market value of land and buildings exceeded the current net book value of £16m by approximately £7.7m, based on valuations carried out during the year ended 30 September 1999. The directors believe that the current valuation of land and buildings is in excess of the 1999 valuation.

Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below:

	Ordinary shares of £ 1 each	
	30 September 2004	1 October 2003
D Beresford Jones	12,591	12,591
P M Beckwith	1,449,046	1,449,046
Sir Eddie Kulukundis OBE	817,000	817,000
R A Squire	8,993	8,993
H H Panter	8,993	8,993
C A Smith	236,010	236,010
L I Isaacson CBE	-	-
D Blyth	-	-
N W Humby	-	-
J Simpson	21,583	21,583
J L Tanner	504,108	504,108
R G Orf	-	-
D G D Cassidy	-	-
H J Enright	-	-
W S Benjamin	-	-
A R Gavin	20,529	20,529
S P Berrill	-	-
M C Lynas	-	-
J Cresswell	-	-
R A James	-	-
M Pashley	-	-
M Leigh	-	-

THE AMBASSADOR THEATRE GROUP LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2004

Directors' interests (continued)

H H Panter, D Beresford Jones, C A Smith, L I Isaacson CBE and J Simpson have an interest in 1,089,333 shares through their holdings in London Turnstyle Limited.

C A Smith has an interest in 316,547 shares as a result of her interest in the share capital of Smith's of Covent Garden Limited.

L I Isaacson CBE has an interest in 89,929 shares as a result of his interest in Cheshire Limited.

R G Orf has an interest in 550,360 shares as a result of his interest in A P Pelham Partners XIV LLC.

W S Benjamin has an interest in 2,507,194 shares as a result of his interest in A P Pelham Investors IV LLC and an interest in 550,360 shares as a result of his interest in AP Pelham Partners XIV LLC.

R A Squire and H H Panter each entered into a Deed of Option on 8 February 2000 to acquire 163,400 £1 ordinary shares for £1.35 per share. At the year end date, the option had not been exercised.

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Disabled persons

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 33 (2003- 38) days' purchases.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Saffery Champness be reappointed as auditors of the company will be put to the Annual General Meeting.

THE AMBASSADOR THEATRE GROUP LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2004

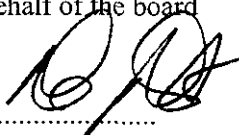
Directors' responsibilities

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 group and of the profit or loss of the group 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 group 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 the group and to 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



.....
H J Enright

Director
15 June 2005
.....

THE AMBASSADOR THEATRE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE AMBASSADOR THEATRE GROUP LIMITED

We have audited the financial statements of The Ambassador Theatre Group Limited on pages 7 to 27 for the year ended 30 September 2004. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 auditor's 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 opinions we have formed.

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 is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 and the group's circumstances, consistently applied and adequately disclosed.

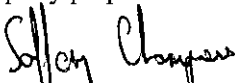
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

THE AMBASSADOR THEATRE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF THE AMBASSADOR THEATRE GROUP LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 30 September 2004 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Saffery Champness

Chartered Accountants
Registered Auditors

15th June 2005
.....

Lion House
Red Lion Street
London
WC1R 4GB

THE AMBASSADOR THEATRE GROUP LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

	Notes	2004 £	2003 £
Turnover	2	52,142,829	50,860,127
Cost of sales		(24,149,389)	(21,939,569)
Gross profit		27,993,440	28,920,558
Administrative expenses		(29,540,341)	(28,848,375)
Other operating income		606,682	619,030
Operating (loss)/profit	3	(940,219)	691,213
Other interest receivable and similar income		43,185	153,605
Interest payable and similar charges	4	(87,980)	(359,189)
(Loss)/profit on ordinary activities before taxation		(985,014)	485,629
Tax on (loss)/profit on ordinary activities	5	15,915	(382,954)
(Loss)/profit on ordinary activities after taxation		(969,099)	102,675
Dividends	7	-	(244,953)
Retained loss for the year	20	(969,099)	(142,278)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

THE AMBASSADOR THEATRE GROUP LIMITED

BALANCE SHEETS

AS AT 30 SEPTEMBER 2004

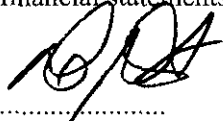
		Group		Company	
		2004	2003	2004	2003
	Notes	£	£	£	£
Fixed assets					
Intangible assets	8	5,164,089	4,166,521	-	-
Tangible assets	9	25,521,731	23,769,284	991,312	1,018,417
Investments	10	-	-	10,553,348	9,653,301
		<u>30,685,820</u>	<u>27,935,805</u>	<u>11,544,660</u>	<u>10,671,718</u>
Current assets					
Stocks	11	198,650	207,446	-	7,000
Debtors	12	4,811,856	4,419,371	25,194,934	21,172,319
Investments	13	594,747	397,673	582,247	385,173
Cash at bank and in hand		<u>2,586,783</u>	<u>3,225,674</u>	<u>565,596</u>	<u>1,310,942</u>
		8,192,036	8,250,164	26,342,777	22,875,434
Creditors: amounts falling due within one year	14	<u>(19,873,031)</u>	<u>(16,508,346)</u>	<u>(13,059,441)</u>	<u>(9,823,628)</u>
Net current liabilities		<u>(11,680,995)</u>	<u>(8,258,182)</u>	<u>13,283,336</u>	<u>13,051,806</u>
Total assets less current liabilities		19,004,825	19,677,623	24,827,996	23,723,524
Creditors: amounts falling due after more than one year	15	(300,000)	-	-	-
Provisions for liabilities and charges	16	(71,459)	(40,658)	(12,616)	(24,154)
Accruals and deferred income	17	<u>(276,000)</u>	<u>(310,500)</u>	-	-
		<u>18,357,366</u>	<u>19,326,465</u>	<u>24,815,380</u>	<u>23,699,370</u>
Capital and reserves					
Called up share capital	19	9,798,138	9,798,138	9,798,138	9,798,138
Share premium account	20	11,373,668	11,373,668	11,373,668	11,373,668
Profit and loss account	20	<u>(2,814,440)</u>	<u>(1,845,341)</u>	<u>3,643,574</u>	<u>2,527,564</u>
Shareholders' funds - equity interests	21	<u>18,357,366</u>	<u>19,326,465</u>	<u>24,815,380</u>	<u>23,699,370</u>

The notes on pages 11 to 27 form part of these financial statements.

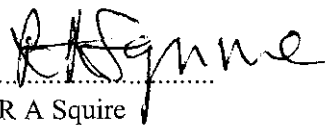
THE AMBASSADOR THEATRE GROUP LIMITED

BALANCE SHEETS (continued)
AS AT 30 SEPTEMBER 2004

The financial statements were approved by the board on *15th June 05*



.....
H J Enright
Director



.....
R A Squire
Director

THE AMBASSADOR THEATRE GROUP LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

	Notes	2004 £	2003 £
Net cash inflow from operating activities	28	3,232,529	1,873,062
Returns on investments and servicing of finance			
Interest received	43,185	153,605	
Interest paid	(51,274)	(232,188)	
Net cash outflow for returns on investments and servicing of finance		(8,089)	(78,583)
Taxation		(332,437)	58,733
Capital expenditure and financial investment			
Payments to acquire tangible assets	(3,042,499)	(1,177,945)	
Payments to acquire investments	(1,079,528)	(1,350)	
Receipts from sales of tangible assets	1,596	-	
Net cash outflow for capital expenditure		(4,120,431)	(1,179,295)
Acquisitions and disposals			
Purchase of subsidiary undertakings (net of cash acquired)	(160,891)	(190,417)	
Net cash outflow for acquisitions and disposals		(160,891)	(190,417)
Equity dividends paid		(244,953)	-
Net cash (outflow)/inflow before management of liquid resources and financing		(1,634,272)	483,500
Financing			
Other new long term loans	300,000	-	
Other new short term loans	450,000	-	
Government grant received	-	345,000	
Repayment of long term bank loan	-	(5,875,000)	
Net cash inflow/(outflow) from financing		750,000	(5,530,000)
Decrease in cash in the year	29, 30	(884,272)	(5,046,500)

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 September 2004. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Associated undertakings

Joint ventures are accounted for using the gross equity method of accounting (see note 3).

1.5 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.6 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life. In the directors' opinion, the estimated useful economic life of goodwill is between 10 and 20 years.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	50 years on freehold property
Land and buildings Leasehold	Term of the lease
Plant and machinery	Over 4 to 10 years
Fixtures, fittings & equipment	Over 4 to 10 years

1.8 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.9 Investments

Fixed asset investments are stated at cost less provision for diminution in value.
Current asset investments are stated at the lower of cost and net realisable value.

1.10 Stock

Stock is valued at the lower of cost and net realisable value.

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2004

1 Accounting policies

(continued)

1.11 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund in accordance with FRS 17.

The group also contributes to a defined benefit scheme. The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings.

1.12 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.13 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating (loss)/profit

	2004	2003
	£	£
Operating (loss)/profit is stated after charging:		
Depreciation of intangible assets	329,536	263,180
Depreciation of tangible assets	1,277,438	1,013,628
Operating lease rentals	379,804	407,661
Auditors' remuneration (company £5,000; 2003: £2,500)	64,154	66,081
Remuneration of auditors for non-audit work	28,250	25,000

The company accounts for its three joint ventures, ScreenStage Limited, Trademark Theatre Limited and Maidstone Productions (Playhouse) Limited, under the Gross Equity Method. As these entities are not material to the group, they have been combined with the group results and are not disclosed separately in the primary statements. Included within the consolidated turnover is £177,477 in respect of the group's share of their turnover. Included in the consolidated operating loss is an operating loss relating to these joint ventures totalling £186,798. Included within consolidated assets and consolidated liabilities are amounts of £98,501 and £213,753 being, respectively, the group's share of the joint ventures' assets and liabilities.

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

4	Interest payable	2004	2003
		£	£
	On bank loans and overdrafts	87,980	359,189
		<u> </u>	<u> </u>
5	Taxation		
		£	£
	Domestic current year tax		
	U.K. corporation tax	-	379,450
	Adjustment for prior years	(46,716)	4,156
		<u> </u>	<u> </u>
	Current tax charge	(46,716)	383,606
	Deferred tax		
	Deferred tax charge/credit current year	30,801	(652)
		<u> </u>	<u> </u>
		(15,915)	382,954
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(985,014)	485,629
		<u> </u>	<u> </u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	(295,504)	145,689
		<u> </u>	<u> </u>
	Effects of:		
	Non deductible expenses	40,490	117,629
	Depreciation and amortisation	482,093	372,692
	Capital allowances	(257,933)	(231,410)
	Tax losses utilised	14,671	869
	Adjustments to previous periods	(46,716)	4,156
	Other tax adjustments	16,183	(26,019)
		<u> </u>	<u> </u>
		248,788	237,917
		<u> </u>	<u> </u>
	Current tax charge	(46,716)	383,606
		<u> </u>	<u> </u>

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004

6 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows:

	2004 £	2003 £
Holding company's profit for the financial year	1,116,010	1,323,985

7 Dividends

	2004 £	2003 £
Ordinary final proposed	-	244,953

8 Intangible fixed assets
Group

	Goodwill £
Cost	
At 1 October 2003	5,227,730
Additions	1,327,104
At 30 September 2004	6,554,834
Amortisation	
At 1 October 2003	1,061,209
Charge for the year	329,536
At 30 September 2004	1,390,745
Net book value	
At 30 September 2004	5,164,089
At 30 September 2003	4,166,521

The additions in the year represent expenditure in the holding company on acquisitions. This is treated as goodwill on consolidation.

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004

9 Tangible fixed assets
Group

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost					
At 1 October 2003	17,674,787	4,723,884	485,019	4,265,401	27,149,091
Additions	84,966	1,388,913	114,417	1,454,203	3,042,499
Disposals	-	-	-	(15,369)	(15,369)
At 30 September 2004	17,759,753	6,112,797	599,436	5,704,235	30,176,221
Depreciation					
At 1 October 2003	1,125,135	915,339	198,087	1,141,246	3,379,807
On disposals	-	-	-	(2,755)	(2,755)
Charge for the year	174,588	332,047	82,206	688,597	1,277,438
At 30 September 2004	1,299,723	1,247,386	280,293	1,827,088	4,654,490
Net book value					
At 30 September 2004	16,460,030	4,865,411	319,143	3,877,147	25,521,731
At 30 September 2003	16,549,652	3,808,545	286,932	3,124,155	23,769,284

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004

9 Tangible fixed assets (continued)

Company

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
Cost				
At 1 October 2003	600,613	485,019	356,656	1,442,288
Additions	-	114,417	4,364	118,781
	<u>600,613</u>	<u>599,436</u>	<u>361,020</u>	<u>1,561,069</u>
At 30 September 2004	600,613	599,436	361,020	1,561,069
Depreciation				
At 1 October 2003	35,538	198,087	190,246	423,871
Charge for the year	13,679	82,206	50,001	145,886
	<u>49,217</u>	<u>280,293</u>	<u>240,247</u>	<u>569,757</u>
At 30 September 2004	49,217	280,293	240,247	569,757
Net book value				
At 30 September 2004	<u>551,396</u>	<u>319,143</u>	<u>120,773</u>	<u>991,312</u>
At 30 September 2003	<u>565,075</u>	<u>286,932</u>	<u>166,410</u>	<u>1,018,417</u>

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

10 Fixed asset investments

Company

	Shares in participating interests	Shares in subsidiary undertakings	Loans in subsidiary undertakings	Total
	£	£	£	£
Cost				
At 1 October 2003	325,433	6,809,924	2,517,944	9,653,301
Additions	-	160,891	750,000	910,891
Reclassification	(10,844)	-	-	(10,844)
	<u>314,589</u>	<u>6,970,815</u>	<u>3,267,944</u>	<u>10,553,348</u>
At 30 September 2004	314,589	6,970,815	3,267,944	10,553,348
Net book value				
At 30 September 2004	<u>314,589</u>	<u>6,970,815</u>	<u>3,267,944</u>	<u>10,553,348</u>
At 30 September 2003	<u>325,433</u>	<u>6,809,924</u>	<u>2,517,944</u>	<u>9,653,301</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

THE AMBASSADOR THEATRE GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004****10 Fixed asset investments****(continued)****Holdings of more than 20%***The company holds more than 20% of the share capital of the following companies:*

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
The Ambassadors Theatre Limited	England and Wales	Ordinary	100
The Duke of York's Theatre Limited	England and Wales	Ordinary	100
Woking Turnstyle Limited	England and Wales	Ordinary	100
Milton Keynes Theatre Limited	England and Wales	Ordinary	100
Stoke-on-Trent Theatres Limited	England and Wales	Ordinary	100
Theatre Royal Brighton Limited	England and Wales	Ordinary	100
ATG London Limited	England and Wales	Ordinary	100
Churchill Theatre Bromley Limited	England and Wales	Ordinary	100
Richmond Theatre Limited	England and Wales	Ordinary	100
Comedy Theatre Limited	England and Wales	Ordinary	100
Donmar Warehouse Theatre Limited	England and Wales	Ordinary	100
Albery and Wyndham's Theatres Limited	England and Wales	Ordinary	100
Whitehall Theatre Limited	England and Wales	Ordinary	100
Smart Plays Limited	England and Wales	Ordinary	100
Peter Wilson Theatre Limited	England and Wales	Ordinary	100
Sonia Friedman Productions Limited	England and Wales	Ordinary	100
Glasgow Theatres Limited	England and Wales	Ordinary	100
Piccadilly Theatre Limited	England and Wales	Ordinary	100
Phoenix Theatre Limited	England and Wales	Ordinary	100
New Wimbledon Theatre Limited	England and Wales	Ordinary	100
Natural Nylon Theatre Company Limited	England and Wales	Ordinary	100
Screenstage Productions Limited	England and Wales	Ordinary	100

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2004

10 Fixed asset investments

(continued)

Participating interests

ScreenStage Limited	England and Wales	Ordinary	50
Trademark Theatre Limited	England and Wales	Ordinary	50
Maidstone Productions (Playhouse) Limited	England and Wales	Ordinary	50

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
The Ambassadors Theatre Limited	Theatre operator
The Duke of York's Theatre Limited	Theatre operator
Woking Turnstyle Limited	Theatre operator
Milton Keynes Theatre Limited	Theatre operator
Stoke-on-Trent Theatres Limited	Theatre operator
Theatre Royal Brighton Limited	Theatre operator
ATG London Limited	Theatre operator
Churchill Theatre Bromley Limited	Theatre operator
Richmond Theatre Limited	Theatre operator
Comedy Theatre Limited	Dormant
Donmar Warehouse Theatre Limited	Dormant
Albery and Wyndham's Theatres Limited	Dormant
Whitehall Theatre Limited	Dormant
Smart Plays Limited	Production company
Peter Wilson Theatre Limited	Production company
Sonia Friedman Productions Limited	Production company
Glasgow Theatres Limited	Theatre operator
Piccadilly Theatre Limited	Dormant
Phoenix Theatre Limited	Dormant
New Wimbledon Theatre Limited	Theatre operator
ScreenStage Limited	Production company
Trademark Theatre Limited	Production company
Maidstone Productions (Playhouse) Limited	Theatre operator
Natural Nylon Theatre Company Limited	Production company
Screenstage Productions Limited	Dormant

11 Stocks

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Finished goods and goods for resale	198,650	207,446	-	7,000

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

12 Debtors

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	1,262,212	1,059,290	30,075	143,450
Amounts owed by group undertakings	-	-	24,248,330	20,451,653
Amounts owed by participating interests	93,731	61,186	93,731	61,186
Corporation tax	46,732	35,867	46,732	35,867
Other debtors	1,772,673	2,240,096	674,409	378,790
Prepayments and accrued income	1,636,508	1,022,932	101,657	101,373
	<u>4,811,856</u>	<u>4,419,371</u>	<u>25,194,934</u>	<u>21,172,319</u>

Amounts falling due after more than one year and included in the debtors above are:

	2004	2003	2004	2003
	£	£	£	£
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>13,599,967</u>	<u>12,520,439</u>

13 Current asset investments

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Other unlisted investments	<u>594,747</u>	<u>397,673</u>	<u>582,247</u>	<u>385,173</u>

Current asset investments represent investments in shows.

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

14 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank loans and overdrafts	2,989,868	2,294,487	2,116,190	1,955,147
Trade creditors	2,188,144	2,307,481	512,256	102,693
Amounts owed to group undertakings	-	-	9,627,283	5,671,800
Corporation tax	-	368,288	-	-
Taxes and social security costs	1,380,623	1,172,299	77,224	701,316
Other creditors	1,795,844	1,861,781	337,872	754,640
Accruals and deferred income	11,518,552	8,259,057	388,616	393,079
Proposed dividend	-	244,953	-	244,953
	<u>19,873,031</u>	<u>16,508,346</u>	<u>13,059,441</u>	<u>9,823,628</u>

15 Creditors : amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Other loans	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Analysis of loans				
Not wholly repayable within five years by instalments:				
Bank loans	-	-	1,800,000	1,350,000
Wholly repayable within five years	<u>2,100,000</u>	<u>1,350,000</u>	<u>-</u>	<u>-</u>
	2,100,000	1,350,000	1,800,000	1,350,000
Included in current liabilities	<u>(1,800,000)</u>	<u>(1,350,000)</u>	<u>(1,800,000)</u>	<u>(1,350,000)</u>
	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loan maturity analysis				
In more than five years	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

The loan is secured by a debenture over the whole of the assets of the company and its subsidiary undertakings.

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

16 Provisions for liabilities and charges

Group

	Deferred taxation £
Balance at 1 October 2003	40,658
Profit and loss account	30,801
	<u>71,459</u>
Balance at 30 September 2004	<u>71,459</u>

Company

Balance at 1 October 2003	24,154
Profit and loss account	(11,538)
	<u>12,616</u>
Balance at 30 September 2004	<u>12,616</u>

The deferred tax liability is made up as follows:

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Accelerated capital allowances	307,234	245,509	25,579	29,301
Other timing differences	(15,786)	(6,760)	(12,963)	(5,147)
Tax losses available	(219,989)	(198,091)	-	-
	<u>71,459</u>	<u>40,658</u>	<u>12,616</u>	<u>24,154</u>

17 Accruals and deferred income

Group

	Government grants £
Balance at 1 October 2003	310,500
Amortisation in the year	(34,500)
	<u>276,000</u>
Balance at 30 September 2004	<u>276,000</u>

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

18 Pension costs

Defined contribution and defined benefit

	2004	2003
	£	£
Contributions payable by the company for the year	339,078	329,623

19 Share capital

	2004	2003
	£	£
Authorised		
10,500,000 Ordinary shares of £1 each	10,500,000	10,500,000
Allotted, called up and fully paid		
9,798,138 Ordinary shares of £1 each	9,798,138	9,798,138

The company has a share option scheme under which options for 163,400 £1 ordinary shares at £1.35 per share exist. At the year end date, none of the options had been exercised.

**20 Statement of movements on reserves
Group**

	Share premium account £	Profit and loss account £
Balance at 1 October 2003	11,373,668	(1,845,341)
Retained loss for the year	-	(969,099)
Balance at 30 September 2004	11,373,668	(2,814,440)

Company

	Share premium account £	Profit and loss account £
Balance at 1 October 2003	11,373,668	2,527,564
Retained profit for the year	-	1,116,010
Balance at 30 September 2004	11,373,668	3,643,574

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004

21 Reconciliation of movements in shareholders' funds	2004	2003
Group	£	£
(Loss)/profit for the financial year	(969,099)	102,675
Dividends	-	(244,953)
Net depletion in shareholders' funds	(969,099)	(142,278)
Opening shareholders' funds	19,326,465	19,468,743
Closing shareholders' funds	18,357,366	19,326,465
	2004	2003
Company	£	£
Profit for the financial year	1,116,010	1,323,985
Dividends	-	(244,953)
Net addition to shareholders' funds	1,116,010	1,079,032
Opening shareholders' funds	23,699,370	22,620,338
Closing shareholders' funds	24,815,380	23,699,370

22 Contingent liabilities

Group

As a result of the group's leasehold interest in two theatres coming to an end on 30 September 2005, the directors anticipate that a charge for dilapidations will be incurred at that date. It is not yet possible to accurately estimate the amount of the likely charge.

Company

A Corporate Cross Guarantee exists between the Ambassador Theatre Group Limited, and its subsidiary undertakings. The bank hold a debenture over the whole of the assets of The Ambassador Theatre Group Limited.

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004**

23 Financial commitments

At 30 September 2004 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Expiry date:				
Within one year	80,887	80,887	-	-
In over five years	270,160	269,430	-	-
	<u>351,047</u>	<u>350,317</u>	<u>-</u>	<u>-</u>

24 Directors' emoluments

	2004	2003
	£	£
Emoluments for qualifying services	552,809	459,495
Company pension contributions to money purchase schemes	80,048	53,550
	<u>632,857</u>	<u>513,045</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 5 (2003- 5).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	186,374	153,375
Company pension contributions to money purchase schemes	<u>31,446</u>	<u>18,750</u>

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2004

25 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2004 Number	2003 Number
Administration and management	1,267	1,244

Employment costs

	£	£
Wages and salaries	13,969,784	13,700,494
Social security costs	1,343,040	1,191,022
Other pension costs	339,078	329,623
	15,651,902	15,221,139

26 Control

The company has no ultimate controlling party.

27 Related party transactions

Group

R A Squire and C A Smith are directors of Donmar Warehouse Projects Limited. During the year, the group collected box office receipts of £1,348,546 (2003 - £1,472,931) on behalf of Donmar Warehouse Projects Limited and recharged productions costs of £971,140 (2003 - £1,239,531) to that company. In addition, the group paid salary costs of £351,374 (2003 - £351,251) on behalf of Donmar Warehouse Projects Limited, which were recharged to that company.

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2004

28 Reconciliation of operating (loss)/profit to net cash inflow from operating activities	2004	2003
	£	£
Operating (loss)/profit	(940,219)	691,213
Depreciation of tangible assets	1,277,438	1,013,628
Amortisation of intangible assets	329,536	263,180
Loss on disposal of tangible assets	11,018	-
Decrease in stocks	8,796	24,842
(Increase)/decrease in debtors	(381,620)	105,041
Decrease/(increase) in investment in shows	(197,074)	773,512
Increase/(decrease) in creditors within one year	3,159,154	(963,854)
Movement on grant provision	(34,500)	(34,500)
Net cash inflow from operating activities	3,232,529	1,873,062

29 Analysis of net (debt)/funds	1 October 2003	Cash flow	Other non-cash changes	30 September 2004
	£	£	£	£
Net cash:				
Cash at bank and in hand	3,225,674	(638,891)	-	2,586,783
Bank overdrafts	(944,487)	(245,381)	-	(1,189,868)
	<u>2,281,187</u>	<u>(884,272)</u>	<u>-</u>	<u>1,396,915</u>
Debts falling due within one year	(1,350,000)	(450,000)	-	(1,800,000)
Debts falling due after one year	-	(300,000)	-	(300,000)
	<u>(1,350,000)</u>	<u>(750,000)</u>	<u>-</u>	<u>(2,100,000)</u>
Net funds/(debt)	931,187	(1,634,272)	-	(703,085)

30 Reconciliation of net cash flow to movement in net (debt)/funds	2004	2003
	£	£
Decrease in cash in the year	(884,272)	(5,046,500)
Cash (inflow)/outflow from (increase)/decrease in debt	(750,000)	5,875,000
Movement in net (debt)/funds in the year	(1,634,272)	828,500
Opening net funds	931,187	102,687
Closing net (debt)/funds	(703,085)	931,187