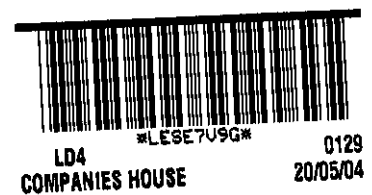


**Television Support Services Limited**

**Directors' Report and Financial Statements**

**For the Eleven-Month Period Ended 31 July 2003**

**Registered number: 2743032**



**Television Support Services Limited**

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

**For the eleven-month period ended 31 July 2003**

**Contents**

	Page
Directors' report	1 – 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 – 11

## **Television Support Services Limited**

### **Directors' report for the eleven-month period ended 31 July 2003**

*The directors submit their annual report and the audited financial statements of Television Support Services Limited ('the Company') for the eleven-month period ended 31 July 2003. Prior period comparatives are for the fourteen months ended 27 August 2002.*

#### **Principal activity**

The principal activity of the Company is the supply of television production services to fellow group companies.

#### **Review of the business**

During the period, the Company changed its accounting reporting date from 27 August to 31 July.

The profit for the 11 month period was £1,470,000 (period ended 27 August 2002 – loss £1,110,000). The directors do not recommend the payment of a dividend (period ended 27 August 2002 – £nil).

#### **Future developments**

Further supply of television production services is anticipated for the foreseeable future.

#### **Directors**

The directors of the Company during the period and to the date of this report were as follows:

P Urie (resigned 2 September 2002)  
W S Harris (resigned 3 September 2002)  
C Falzon (resigned 3 September 2002)  
T W Ricketts (resigned 3 September 2002)  
N Birrell (appointed 3 September 2002)  
C J Caminada (appointed 3 September 2002)  
R I Lawes (appointed 3 September 2002)

#### **Directors' interests**

None of the directors who held office at the end of the period had any disclosable interest in the shares of the Company. Messrs Birrell, Caminada and Lawes are also directors of the ultimate parent, HIT Entertainment PLC. The interests of Messrs Birrell, Caminada and Lawes in the share capital of HIT Entertainment PLC are disclosed in the annual report of that company.

## Television Support Services Limited

### Directors' report for the eleven-month period ended 31 July 2003 (continued)

#### Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each period 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 accounts, the directors are required to:

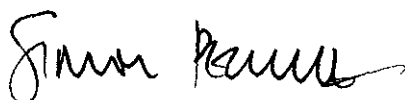
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the financial 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking steps for the prevention and detection of fraud and other irregularities.

#### Auditors

In accordance with Section 386 of the Companies Act 1985, an elective resolution has been passed to dispense with the requirement to reappoint auditors on an annual basis.

By order of the board



S M Pearce  
Secretary  
17 May 2004

Maple House  
149 Tottenham Court Road  
London  
W1T 7NF

## **Television Support Services Limited**

### **Independent auditors' report to the members of Television Support Services Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

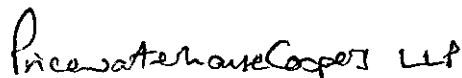
#### **Basis of audit opinion**

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 July 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
London WC2N 6RH  
17 May 2004

## Television Support Services Limited

### Profit and loss account for the eleven-month period ended 31 July 2003

	Note	11 months ended <u>31 July 2003</u> £000	14 months ended <u>27 August 2002</u> £000
Turnover	2	2,539	190
Cost of sales		(1,082)	(1,059)
		<hr/>	<hr/>
Gross profit/(loss)		1,457	(869)
Administrative expenses		-	(254)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	3	1,457	(1,123)
Tax on profit/(loss) on ordinary activities	6	13	13
		<hr/>	<hr/>
Retained profit/(loss) for the period	12, 13	<u>1,470</u>	<u>(1,110)</u>

There are no recognised gains or losses other than the profit for the period and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities and the retained profit for the period stated above and their historical cost equivalents.

All amounts relate to continuing operations.

# Television Support Services Limited

## Balance sheet at 31 July 2003

	Note	<u>31 July 2003</u> £000	<u>27 August 2002</u> £000
<b>Current assets</b>			
Investment in programmes	7	-	102
Debtors	8	169	1,717
Cash at bank and in hand		2,671	1,362
		<hr/>	<hr/>
		2,840	3,181
<b>Creditors - Amounts falling due within one year</b>	9	(2,540)	(4,351)
		<hr/>	<hr/>
<b>Net current assets/(liabilities) and Net Assets/(Liabilities)</b>		<u>300</u>	<u>(1,170)</u>
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account	12	300	(1,170)
		<hr/>	<hr/>
<b>Equity shareholders' funds/(deficit)</b>	13	<u>300</u>	<u>(1,170)</u>

The financial statements on pages 4 to 11 were approved by the Board of Directors on 17 May 2004 and were signed on its behalf by:

N Birrell – Director



# **Television Support Services Limited**

## **Notes to the financial statements – 31 July 2003**

### **1. Principal accounting policies**

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

The financial statements are prepared on a going concern basis.

A summary of the significant accounting policies which have been applied is set out below.

#### **Turnover**

Turnover represents film production work recharged to group companies during the period.

#### **Investment in programmes**

Investment in programmes, including distribution advances, is stated at the lower of cost, less accumulated amortisation, or net realisable value.

Costs comprise direct programme costs, which are capitalised up to the date of first release of the programme, and programme development costs. Costs for developing programmes are transferred to programme costs when a decision is made to proceed with the programme.

A charge is made to write down the cost of completed programmes over their useful lives. Completed programmes are expensed based on the ratio of the current period's net revenues to estimated total net revenues from all sources on an individual production basis.

An assessment is made at each balance sheet date by the directors to determine whether a provision is required to reduce the carrying value of the investment in programmes to net realisable value. Where programmes in development are not expected to proceed, the related costs are written off to the profit and loss account.

Any charge for writing down to net realisable value during the period is included in the profit and loss account as part of cost of sales.

#### **Deferred taxation**

Provision is made in full for deferred tax that arises from timing differences that have originated but not reversed by the balance sheet date on transactions or events that result in an obligation to pay more tax in the future. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be taxable profits from which the underlying differences can be deducted. Deferred tax assets and liabilities are not discounted.

#### **Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at rates prevailing at the period end or at the contracted forward rate where appropriate.

Transactions arising in foreign currency are translated at their transaction rate.

Exchange differences on trading and other items are taken to the profit and loss account.



## Television Support Services Limited

### Notes to the financial statements – 31 July 2003 (continued)

#### 2. Turnover

Turnover is wholly derived from continuing operations in the United Kingdom.

The Company's turnover comprises only one class of business which has been analysed by category as follows:

	11 months ended <u>31 July 2003</u> £000	14 months ended <u>27 August 2002</u> £000
Production	-	2
Film production recharges	2,539	188
	<hr/>	<hr/>
	2,539	190
	<hr/>	<hr/>

#### 3. Profit/(loss) on ordinary activities before taxation

The profit/(loss) on ordinary activities before taxation is stated after charging:

	11 months ended <u>31 July 2003</u> £000	14 months ended <u>27 August 2002</u> £000
Write down of investment in programmes (Note 8)	-	92
	<hr/>	<hr/>

Auditors' remuneration in the current period has been borne by the ultimate parent undertaking, HIT Entertainment PLC.

# Television Support Services Limited

## Notes to the financial statements – 31 July 2003 (continued)

### 4. Employee information

The average monthly number of persons (including executive directors) employed by the Company during the period was:

	11 months ended 31 July 2003	14 months ended 27 August 2002
	No	No
By activity:-		
Production	26	26
Administration	2	2
	<hr/>	<hr/>
	28	28
	<hr/>	<hr/>

Staff costs (including directors) were as follows:

	£000	£000
Wages and salaries	965	1,217
Social security costs	104	137
Other pension costs	38	35
	<hr/>	<hr/>
	1,107	1,389
	<hr/>	<hr/>

### 5. Directors' emoluments

None of the directors received any emoluments in respect of their services to the Company during the current period. Emoluments for the prior period were as follows:

	11 months ended 31 July 2003	14 months ended 27 August 2002
	£000	£000
Salaries	-	141
Bonus	-	7
Pension contributions	-	10
	<hr/>	<hr/>
	-	158
	<hr/>	<hr/>

Retirement benefits are accruing to three directors (2002: nil directors) under a defined contribution (money purchase) pension scheme.

# Television Support Services Limited

## Notes to the financial statements – 31 July 2003 (continued)

### 6. Tax on profit/(loss) on ordinary activities

The tax charge for the period is as follows:

	11 months Ended <u>31 July 2003</u> £000	14 months ended <u>27 August 2002</u> £000
Current tax		
- Corporation tax charge on profit/(loss) for the period	-	-
	—	—
Total current tax	-	-
	—	—
Deferred tax		
- Adjustments in respect of prior periods	13	(13)
	—	—
Total deferred tax	13	(13)
	—	—
Tax on profit/(loss) on ordinary activities	<u>13</u>	<u>(13)</u>

The current period tax charge can be reconciled as follows:-

Profit/(loss) on ordinary activities before taxation	1,457	(1,123)
Corporation tax at UK standard rate of 30% (2002: 30%)	437	(337)
Brought forward losses utilised	(13)	337
Losses received from other group companies for nil consideration	(424)	-
	—	—
Current tax charge for the period	<u>-</u>	<u>-</u>

### 7. Investment in programmes

	<u>31 July 2003</u> £000	<u>27 August 2002</u> £000
Work in progress	-	102
	—	—

# Television Support Services Limited

## Notes to the financial statements – 31 July 2003 (continued)

### 8. Debtors

	<u>31 July 2003</u>	<u>27 August 2002</u>
	£000	£000
Amounts owed by group undertakings	-	1,674
Amounts owed by group undertakings in respect of group relief	24	24
Amounts due from joint venture companies within the HIT Entertainment group (note 16)	95	-
Deferred tax (note 10)	13	-
Other debtors	37	-
Prepayments and accrued income	-	19
	<u>169</u>	<u>1,717</u>

### 9. Creditors – amounts falling due within one year

	<u>31 July 2003</u>	<u>27 August 2002</u>
	£000	£000
Payments received on account	-	69
Amounts owed to group undertakings	2,540	4,012
Other creditors, including taxation and social security	-	210
Accruals	-	60
	<u>2,540</u>	<u>4,351</u>

### 10. Deferred tax asset

	Deferred tax £000
Balance at 28 August 2002	-
Credit for the year	13
	<u>13</u>
Balance at 31 July 2003	<u>13</u>

The analysis of the deferred taxation balance is as follows:

	<u>31 July 2003</u>	<u>27 August 2002</u>
	£000	£000
Tax losses	<u>13</u>	<u>-</u>

### 11. Share capital

Ordinary Shares of £1 each

	<u>31 July 2003</u>		<u>27 August 2002</u>	
	No	£	No	£
Authorised	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

# Television Support Services Limited

## Notes to the financial statements – 31 July 2003 (continued)

### 12. Reserves

	Profit and loss account £000
Balance at 28 August 2002	(1,170)
Profit for the period	1,470
	<hr/>
Balance at 31 July 2003	300
	<hr/> <hr/>

### 13. Reconciliation of movements in equity shareholders' funds/(deficit)

	<u>31 July 2003</u> £000	<u>27 August 2002</u> £000
Opening shareholders' deficit	(1,170)	(60)
Profit/(loss) for the period	1,470	(1,110)
	<hr/>	<hr/>
Closing shareholders' funds/(deficit)	300	(1,170)
	<hr/> <hr/>	<hr/> <hr/>

### 14. Immediate and ultimate parent undertakings

At the period end the Company's immediate parent undertaking was Gullane Entertainment Limited, which is registered in England and Wales. The ultimate controlling party is HIT Entertainment PLC, which is registered in England and Wales. The consolidated financial statements of HIT Entertainment PLC can be obtained from the Registered Office at Maple House, 149 Tottenham Court Road, London W1T 7NF.

### 15. Cash flow statement

The financial statements of HIT Entertainment PLC for the period ended 31 July 2003 contain a consolidated cash flow statement. Consequently, the Company has taken advantage of exemption 5(a) granted by Financial Reporting Standard 1 (Revised 1996) and has not published a cash flow statement.

### 16. Related party transactions

The Company has taken advantage of the exemption provided by paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with entities that are part of the HIT Entertainment PLC group. Details of other related party transactions during the period are shown below. Bridgefilms Limited is a joint venture of the HIT Entertainment PLC group. As at 31 July 2003, amounts due from and to companies in the Bridgefilms group were as follows:

	<u>31 July 2003</u> £000	Debtors <u>27 August 2002</u> £000
Sooty Limited	95	-
	<hr/>	<hr/>

There were no material transactions with this entity during the current or prior period.