

Winchester Pictures Limited

Directors' report and financial statements

31 March 1999

Registered number 2803116



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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 March 1999.

Principal activity and business review

The principal activity of the company is the creation, development and exploitation of entertainment based intellectual property rights. The directors entered the new financial year with an optimistic outlook for the company's prospects.

Results and dividends

The profit for the financial year was £49 (1998: £4,209). No dividends were paid or proposed during the year (1998: £Nil).

Directors and directors' interests

The directors of the company who served during the year and subsequently were as follows:

G Smith
MCC Prince

The interests of G Smith and MCC Prince in the share capital of the ultimate parent company, Winchester Entertainment plc, are disclosed in the annual report of that company.

Neither of the directors had any beneficial interest in the share capital of the company at any time during the year.

Year 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue.

A review, designed to address the impact of the Year 2000 on the business, is in progress. From this review, action is being taken which is designed to address the key risks in advance of critical dates and without disruption to the underlying business activity. The review also considers the impact on the business of Year 2000 related failures by significant suppliers and customers. In appropriate cases formal communication with these other parties has been initiated.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the board believes that it will achieve an acceptable state of readiness. The costs involved, which are not significant, are written off as incurred.

By order of the board



JM Wilkes
Secretary

29-30 Kingly Street
London
W1R 5LB

22 July 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 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.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Auditors' report to the members of Winchester Pictures Limited

We have audited the financial statements on pages 4 to 8.

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 company's affairs as at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'KPMG Audit Plc', written over the printed name.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

22 July 1999

Profit and loss account

for the year ended 31 March 1999

	<i>Note</i>	1999 £	1998 £
Turnover	2	-	12,000
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		-	12,000
Distribution costs		-	(5,000)
Administrative expenses		49	(2,791)
		<hr/>	<hr/>
Operating profit and profit on ordinary activities before and after taxation	3	49	4,209
Profit and loss account brought forward		(195,445)	(199,654)
		<hr/>	<hr/>
Profit and loss account carried forward		(195,396)	(195,445)
		<hr/>	<hr/>

Turnover and the results reported above all relate to continuing operations.

Statement of total recognised gains and losses

There were no recognised gains or losses during either year other than the results reported above.

Balance sheet

at 31 March 1999

	<i>Notes</i>	1999 £	1998 £
Current assets			
Stocks	7	16,260	16,260
Debtors	8	24,525	24,525
		<u>40,785</u>	<u>40,785</u>
Creditors: amounts falling due within one year	9	(167)	(2,616)
Net current assets and total assets less current liabilities		40,618	38,169
Creditors: amounts falling due after more than one year	10	(235,914)	(233,514)
Net liabilities		<u>(195,296)</u>	<u>(195,345)</u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account		(195,396)	(195,445)
Equity shareholders' funds		<u>(195,296)</u>	<u>(195,345)</u>

These financial statements were approved by the board of directors on 22 July 1999 and were signed on its behalf by:



G Smith
Director

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention. The financial statements have been prepared on the going concern basis as the parent company has confirmed its continued financial support.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of film project inventory, cost is taken as direct costs incurred for the development or production of film projects which includes finance charges and legal expenses, less any foreseeable losses. Interest on any loans taken out to fund specific production costs is capitalised until the date of completion. Film project inventory is appraised at each balance sheet date on a project by project basis and is amortised over a maximum amortisation period of ten years. In respect of the maximum amortisation period of ten years and the resultant carrying value at each balance sheet date due regard is given to the requirement for current assets to be held at the lower of cost and net realisable value. Net realisable value is calculated on a project by project basis having regard to the present value of estimated sales less further costs of completion and unrecoverable sales expenses.

Writing and development costs

Expenditure relating to writing, research and development of projects where there is no reasonable expectation of recovery is written off as incurred. Expenditure relating to projects where there is a reasonable expectation of yielding sufficient gross revenues to recover costs is carried forward as film project inventory and transferred accordingly to stocks.

Income recognition

Income from the exploitation of film rights is recognised on a receivable basis provided that the film project has been completed and delivered.

Taxation

The charge for taxation is based on the results 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 or repayment will crystallise.

Currency translation

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

Cash flow statement

A cash flow statement has not been prepared because the company is a wholly owned subsidiary of Winchester Entertainment plc and the financial statements of that company contain a consolidated cash flow statement dealing with the cash flows of its group.

Notes (continued)

Related party disclosures

Under Financial Reporting Standards 8, the company is exempt from the disclosure of transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of Winchester Entertainment plc and its results are included in the consolidated financial statements of that company.

2 Turnover

Turnover, which excludes value added tax, represents income derived from the provision of services.

3 Profit on ordinary activities before and after taxation

1999	1998
£	£

Profit on ordinary activities before and after taxation is stated after charging:

Auditors' remuneration:

Audit fees	-	1,000
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	-	1,000
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In addition fees of £Nil (1998: £500) were paid to the auditors and their associates for non-audit services.

4 Staff numbers and costs

The average number of persons (including directors) employed by the company during the year was 2 (1998: 3) all of whom were paid by a fellow group undertaking.

5 Directors' emoluments

Neither of the directors received any remuneration from the company during the year (1998: £Nil).

6 Tax on profit on ordinary activities

No tax charge arises due to the use of trading losses brought forward.

Stocks

1999	1998
£	£

Film project inventory	16,260	16,260
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	16,260	16,260
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Debtors

1999	1998
£	£

Trade debtors	2,350	2,350
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Other debtors	22,175	22,175
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	22,175	22,175
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	24,525	24,525
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	24,525	24,525
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Notes (continued)

9 Creditors: amounts falling due within one year

	1999 £	1998 £
Bank overdraft - unsecured	74	73
Trade creditors	-	950
Other creditors	93	93
Accruals	-	1,500
	<u>167</u>	<u>2,616</u>

10 Creditors: amounts falling due after more than one year

	1999 £	1998 £
Amounts owed to group undertakings	235,914	233,514
	<u>235,914</u>	<u>233,514</u>

11 Share capital

	1999 £	1998 £
<i>Authorised, allotted, called up and fully paid:</i>		
200 ordinary shares of 50p each	100	100
	<u>100</u>	<u>100</u>

12 Reconciliation of movement in shareholders' funds

	1999 £	1998 £
Profit for the financial year	49	4,209
Shareholders' funds brought forward	(195,345)	(199,554)
	<u>(195,296)</u>	<u>(195,345)</u>
Shareholders' funds carried forward	<u>(195,296)</u>	<u>(195,345)</u>

13 Capital commitments

There were no capital commitments at 31 March 1999 (1998: £Nil).

Contingent liabilities

The company has given a £500,000 guarantee in respect of the borrowings of a fellow group undertaking.

Ultimate parent company

Winchester Entertainment plc, a company incorporated in Great Britain, is the company's ultimate parent company. Copies of the consolidated financial statements of that company may be obtained from 29-30 Kingly Street, London, W1R 5LB.