

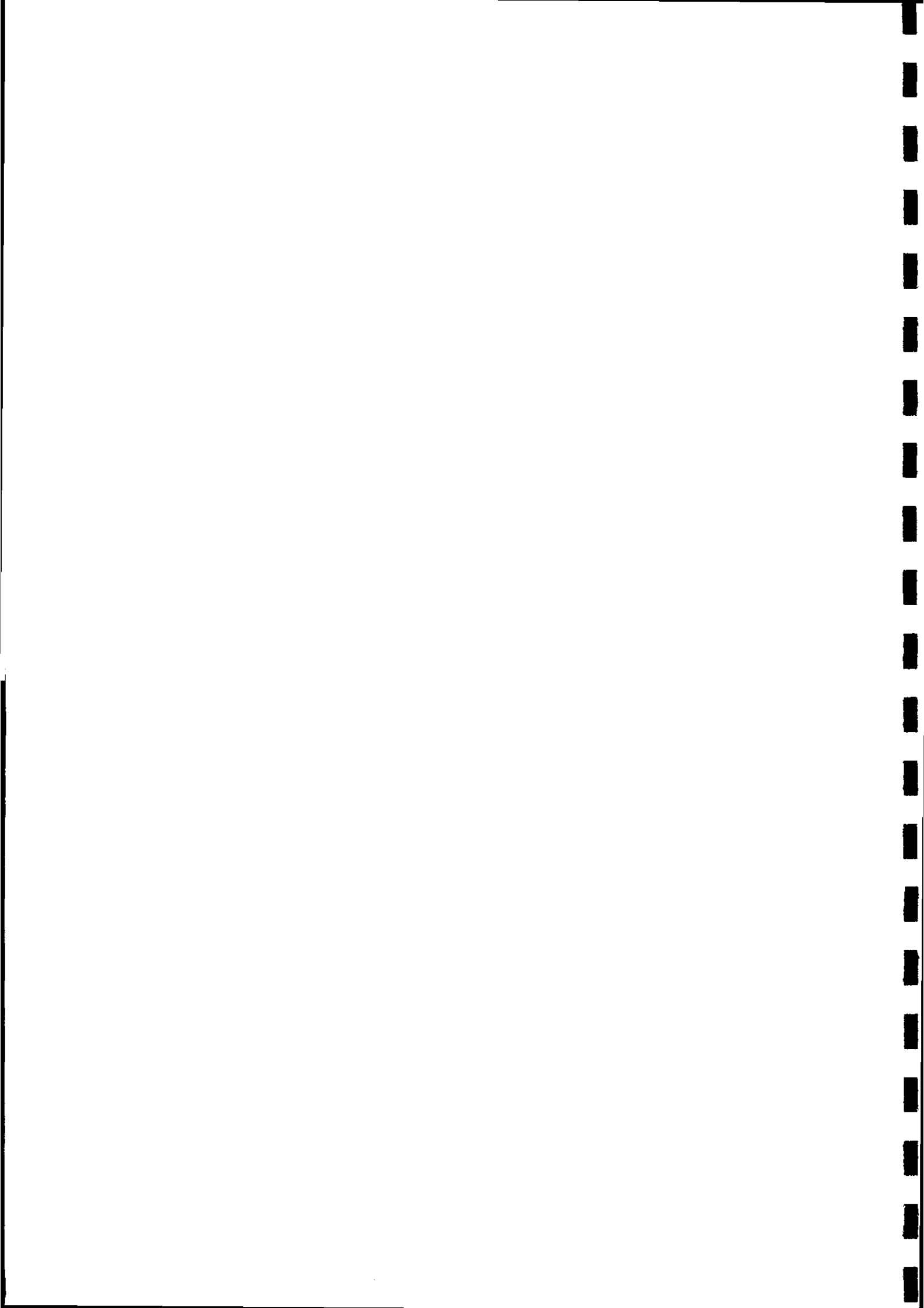
**Winchester Pictures Limited**

**Directors' report and financial  
statements**

**Registered number 2803116**

**31 March 2000**





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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2000.

### 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 result for the financial year was £Nil (*1999: profit of £49*). No dividends were paid or proposed during the year (*1999: £Nil*).

### Directors and directors' interests


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

G Smith  
MCC Prince  
JM Wilkes (appointed 17 August 1999)

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

None of the directors had any beneficial interest in the share capital of the company at any time during the year.

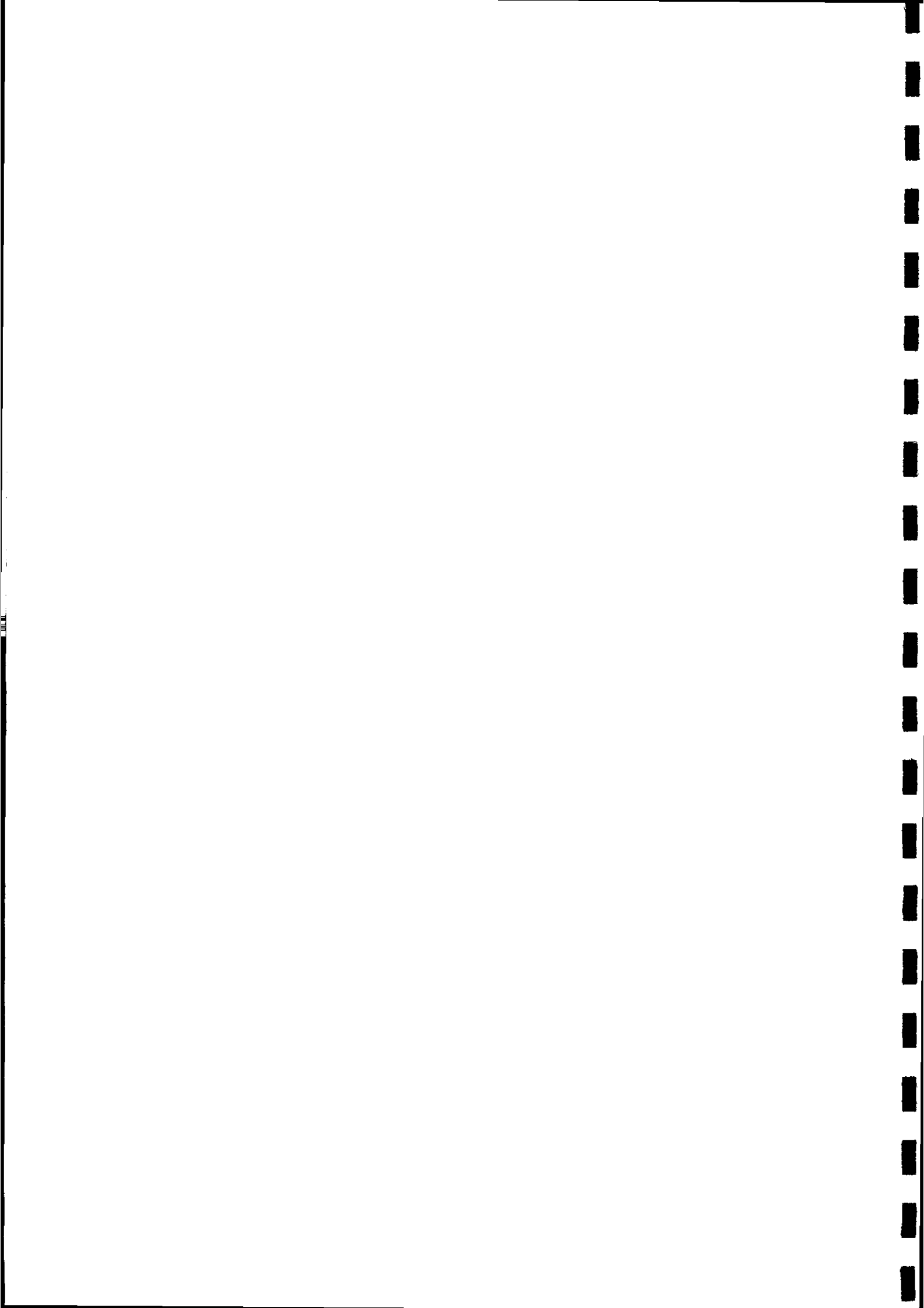
By order of the board



JM Wilkes  
Secretary

19 Heddon Street  
London  
W1R 7LF

27 June 2000

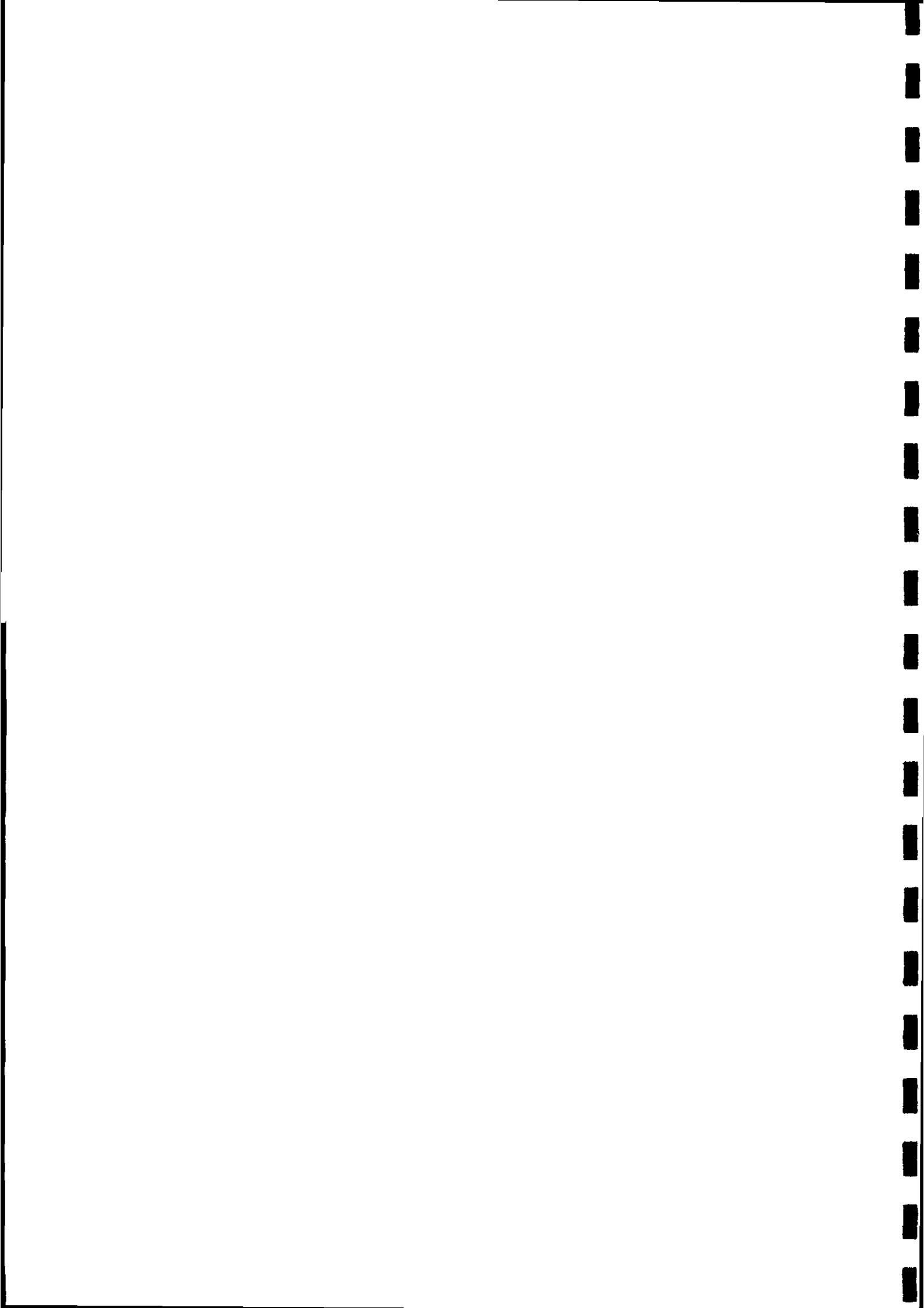


## **Statement of directors' responsibilities**

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***

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

***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 March 2000 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

27 June 2000





**Profit and loss account**  
*for the year ended 31 March 2000*

	<i>Note</i>	<b>2000</b> £	1999 £
<b>Turnover</b>	2	-	-
Cost of sales		-	-
		<hr/>	<hr/>
<b>Gross profit</b>		-	-
Distribution costs		-	-
Administrative expenses		-	49
		<hr/>	<hr/>
<b>Operating profit and profit on ordinary activities before and after taxation</b>		-	49
Profit and loss account brought forward		<b>(195,396)</b>	(195,445)
		<hr/>	<hr/>
<b>Profit and loss account carried forward</b>		<b>(195,396)</b>	(195,396)
		<hr/>	<hr/>

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


**Statement of total recognised gains and losses**  
*for the year ended 31 March 2000*

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

**Balance sheet**  
*at 31 March 2000*

	<i>Notes</i>	<b>2000</b> £	1999 £
<b>Current assets</b>			
Stocks	5	16,260	16,260
Debtors	6	2,350	24,525
		<hr/>	<hr/>
		18,610	40,785
<b>Creditors: amounts falling due within one year</b>	7	-	(167)
		<hr/>	<hr/>
<b>Net current assets and total assets less current liabilities</b>		18,610	40,618
<b>Creditors: amounts falling due after more than one year</b>	8	(213,906)	(235,914)
		<hr/>	<hr/>
<b>Net liabilities</b>		(195,296)	(195,296)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	9	100	100
Profit and loss account		(195,396)	(195,396)
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>	10	(195,296)	(195,296)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 27 June 2000 and were signed on its behalf by:

  
**JM Wilkes**  
*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 accounting rules. 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 except where payment is dependent on the film or television project being completed or delivered, in which case income is recognised on completion or delivery.

#### *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 using the rate of exchange ruling at the balance sheet date and the gains or losses on translation 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)

### 1 Accounting policies (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 Staff numbers and costs

The average number of persons (including directors) employed by the company during the year was 3 (1999: 2) all of whom were paid by a fellow group undertaking.

### 4 Directors' emoluments

Neither of the directors received any remuneration from the company during the year (1999: £Nil).

### 5 Stocks

	2000 £	1999 £
Film project inventory	16,260	16,260

### 6 Debtors

	2000 £	1999 £
Trade debtors	2,350	2,350
Other debtors	-	22,175
	2,350	24,525

### 7 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank overdraft - unsecured	-	74
Other creditors	-	93
	-	167

### 8 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Amounts owed to group undertakings	213,906	235,914

## Notes (continued)

### 9 Share capital

	2000 £	1999 £
<i>Authorised, allotted, called up and fully paid:</i>		
200 ordinary shares of 50p each	100	100

### 10 Reconciliation of movement in shareholders' funds

	2000 £	1999 £
Profit for the financial year	-	49
Shareholders' funds brought forward	(195,296)	(195,345)
Shareholders' funds carried forward	(195,296)	(195,296)

### 11 Capital commitments

There were no capital commitments at 31 March 2000 (1999: £Nil).

### 12 Contingent liabilities

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

### 13 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 19 Heddon Street, London, W1R 7LF.