

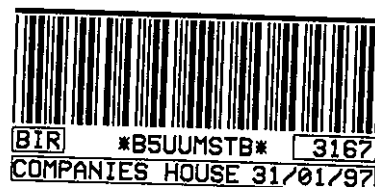
KPMG

## Winchester Pictures Limited

Directors' report and financial statements

31 March 1996

Registered number 2803116



# Winchester Pictures Limited

## Directors' report and financial statements

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# Winchester Pictures Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1996.

### 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 loss on ordinary activities after taxation for the year was £43,663 (1995: £51,208). No dividends were paid or proposed during the year (1995: £Nil).

### Directors and directors' interests

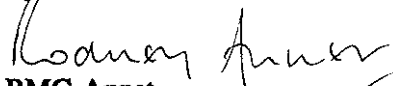
The directors of the company who served during the year and subsequently were as follows:

G Smith	(Chairman)
MCC Prince	
R Sidaway	(Resigned 24 November 1995)
AP Sidaway	(Resigned 24 November 1995)

The interests of G Smith and MCC Prince in the share capital of the ultimate parent company, Winchester Multimedia plc, are disclosed in the financial statements 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

  
**RMC Annet**  
Secretary

5 Water Court  
36 Water Street  
Birmingham  
B3 1HP

23 July 1996

# Winchester Pictures Limited

## 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.



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 10.

### *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 1996 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*

23 July 1996

# Winchester Pictures Limited

## Profit and loss account

for the year ended 31 March 1996

	<i>Note</i>	<b>1996</b> £	<b>1995</b> £
<b>Turnover</b>	<b>2</b>	<b>5,500</b>	<b>5,000</b>
<b>Cost of sales</b>		<b>(21,804)</b>	<b>(20,158)</b>
		<hr/>	<hr/>
<b>Gross loss</b>		<b>(16,304)</b>	<b>(15,158)</b>
<b>Distribution costs</b>		<b>(21,753)</b>	<b>(5,578)</b>
<b>Administrative expenses</b>		<b>(5,000)</b>	<b>(30,000)</b>
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(43,057)</b>	<b>(50,736)</b>
<b>Interest payable</b>	<b>3</b>	<b>(606)</b>	<b>(472)</b>
		<hr/>	<hr/>
<b>Loss on ordinary activities before and after taxation</b>	<b>4</b>	<b>(43,663)</b>	<b>(51,208)</b>
<b>Profit and loss account brought forward</b>		<b>(174,294)</b>	<b>(123,086)</b>
		<hr/>	<hr/>
<b>Profit and loss account carried forward</b>		<b>(217,957)</b>	<b>(174,294)</b>
		<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 in either year other than the loss for the year.

# Winchester Pictures Limited

## Balance sheet at 31 March 1996

	Note	1996 £	1995 £
<b>Current assets</b>			
Stocks	8	104,768	47,372
Debtors	9	47,275	16,484
Cash at bank and in hand		37	9
		<u>152,080</u>	<u>63,865</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(68,213)</u>	<u>(94,096)</u>
<b>Net current assets/(liabilities)</b>		83,867	(30,231)
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(301,724)</u>	<u>(143,963)</u>
<b>Net liabilities</b>		<u>(217,857)</u>	<u>(174,194)</u>
<b>Capital and reserves</b>			
Called up share capital	12	100	100
Profit and loss account		<u>(217,957)</u>	<u>(174,294)</u>
<b>Equity shareholders' funds</b>		<u>(217,857)</u>	<u>(174,194)</u>

These financial statements were approved by the board of directors on 23 July 1996 and were signed on its behalf by:



**G Smith**  
Director

# Winchester Pictures Limited

## 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.

#### *Income recognition*

Non-refundable recoupable licensing agreement advances, guarantees and subsequent royalties are accounted for on a receivable basis. Income from the sale of a share in intellectual property rights of the company are recognised on a receivable basis, when the sale becomes unconditional.

#### *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 cost incurred which is funded by third parties for film projects in production, less any foreseeable losses. Net realisable value is based on the estimated sales value less further costs of completion and selling expenses.

#### *Pensions*

The company contributes to a group funded defined contribution pension scheme. The amount charged to the profit and loss account represents the contributions payable to the scheme in the year.

#### *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 amortised against the full future revenue until the original inventory is written off.

#### *Intellectual property rights*

Rights acquired, where regarded as not having a material impact on the results, are written off as incurred.

#### *Deferred 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.



# Winchester Pictures Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *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 Multimedia plc and the financial statements of that company contain a consolidated cash flow statement dealing with the cash flows of its group.

### 2 Turnover

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

### 3 Interest payable

	1996 £	1995 £
Bank interest	<u>606</u>	<u>472</u>

### 4 Loss on ordinary activities before and after taxation

	1996 £	1995 £
<i>Loss on ordinary activities before and after taxation is stated</i>		

#### *after charging:*

#### Auditors' remuneration:

Audit	1,000	2,500
Non audit fees	650	750
Writing and development costs written off	<u>21,804</u>	<u>20,158</u>

# Winchester Pictures Limited

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons (including directors) employed by the company during the year was 4 (1995: 4) all of whom were involved in the writing and development of films and other forms of entertainment.

The aggregate payroll costs of these persons were as follows:

	1996 £	1995 £
Wages and salaries	58,195	81,829
Social security costs	5,784	7,895
Pension costs	-	6,600
	<u>63,979</u>	<u>96,324</u>

### 6 Directors' emoluments

	1996 £	1995 £
Directors' emoluments comprise:		
Remuneration for executive services	37,333	56,000
Pension contributions	-	6,600
	<u>37,333</u>	<u>62,600</u>

Directors' emoluments excluding pension contributions were as follows:

	Nil	Nil
Chairman	<u>Nil</u>	<u>Nil</u>
Highest paid director	<u>21,333</u>	<u>32,000</u>

The emoluments of all the directors, excluding pension contributions, fell within the following ranges:

		Number of directors	
		1996	1995
£0 - £ 5,000		2	2
£15,001 - £20,000		1	-
£20,001 - £25,000		1	1
£30,001 - £35,000		-	1
		<u>        </u>	<u>        </u>

# Winchester Pictures Limited

## Notes (continued)

### 7 Tax on loss on ordinary activities

No tax charge arises during the year due to the existence of trading losses which will be carried forward, subject to agreement by the Inland Revenue, and utilised against future taxable profits.

### 8 Stocks

	1996 £	1995 £
Film project inventory	<u>104,768</u>	<u>47,372</u>

### 9 Debtors

	1996 £	1995 £
Trade debtors	-	5,919
Other debtors	47,275	6,606
Prepayments	-	3,959
	<u>47,275</u>	<u>16,484</u>

Other debtors include amounts due from Robert Sidaway amounting to £36,397 which includes monies advanced to him following his resignation as a director.

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

	1996 £	1995 £
Bank overdraft - unsecured	3,822	16,678
Trade creditors	18,363	22,603
Other taxation and social security	-	10,458
Accruals	46,028	44,357
	<u>68,213</u>	<u>94,096</u>

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

	1996 £	1995 £
Amounts owed to parent undertaking	<u>301,724</u>	<u>143,963</u>

# Winchester Pictures Limited

## Notes (continued)

### 12 Share capital

	1996	1995
		£
<i>Authorised, allotted, called up and fully paid:</i>		
200 ordinary shares of 50p each	<u>100</u>	<u>100</u>

### 13 Reconciliation of movement in shareholders' funds

	1996	1995
	£	£
Loss for the financial year	(43,663)	(51,208)
Shareholders' funds brought forward	<u>(174,194)</u>	<u>(122,986)</u>
Shareholders' funds carried forward	<u>(217,857)</u>	<u>(174,194)</u>

### 14 Pensions

The company contributes to a group defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the fund and amounted to £Nil (1995: £6,600). The assets of the scheme are held separately from those of the group in an independently administered fund.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### 15 Capital commitments

There were no capital commitments at the end of the year (1995: £Nil).

### 16 Ultimate parent company

Winchester Multimedia plc, a company registered in England and Wales, is the company's ultimate parent company. Copies of the consolidated financial statements of that company can be obtained from 5 Water Court, 36 Water Street, Birmingham B3 1HP.