Winchester Pictures Limited

Directors' report and financial statements

Registered number 2803116

31 March 2002

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2002.

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 company recorded a profit for the year of £216,596 *(2001: the company was dormant).*

No dividends were paid or proposed during the year *(2001: £Nil).*

Directors and directors' interests

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

G Smith	
MCC Prince	
SK Taylor	(appointed 26 November 2001)
JM Wilkes	(resigned 26 November 2001)

The interests of G Smith, MCC Prince and SK Taylor 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

SK Taylor
Secretary

19 Heddon Street
London
W1B 4BG

29 August 2002

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

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Winchester Pictures Limited

We have audited the financial statements on pages 4 to 9.

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 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.

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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the uncertainty of the continued financial support of the parent company. In view of the significance of this uncertainty, we consider that it should be brought to your attention but our opinion is not qualified in this respect.

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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

29 August 2002

Profit and loss account
for the year ended 31 March 2002

	Note	2002 £	2001 £
Turnover	2	3,285,962	-
Cost of sales		(2,462,551)	-
Gross profit		823,411	-
Administrative expenses		(513,815)	-
Operating profit and profit on ordinary activities before taxation		309,596	-
Tax charge on profit on ordinary activities	4	(93,000)	-
Profit for the financial year		216,596	-
Profit and loss account brought forward		(195,396)	(195,396)
Profit and loss account carried forward		21,200	(195,396)

Statement of total recognised gains and losses
for the year ended 31 March 2002

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

Balance sheet
at 31 March 2002

	Notes	2002 £	2001 £
Current assets			
Stocks	5	**1,619,278**	16,260
Debtors	6	**61,007**	2,350
		1,680,285	18,610
Creditors: amounts falling due within one year	7	**(207,074)**	-
Net current assets		**1,473,211**	-
Creditors: amounts falling due after more than one year	8	**(1,451,911)**	(213,906)
Net assets/(liabilities)		**21,300**	(195,296)
Capital and reserves			
Called up share capital	9	**100**	100
Profit and loss account		**21,200**	(195,396)
Equity shareholders' funds	10	**21,300**	(195,296)

These financial statements were approved by the board of directors on 29 August 2002 and were signed on its behalf by:

SK Taylor
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, except that FRS 19 "Deferred tax" has been adopted for the first time in these financial statements. The adoption of these standards has had no effect on the results for either the current or the prior year.

Basis of preparation

The financial statements have been prepared in accordance with applicable Accounting Standards and under the historical cost convention. The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The directors have obtained confirmation from the ultimate parent company that it will continue to provide such financial support as necessary in order for the company to meet its liabilities as they fall due for the foreseeable future. However, the nature of the group's business is such that there can be considerable variation in the timing of cash inflows. There can, therefore, be no certainty in relation to these matters. The financial statements do not include any adjustments that would result from any significant variance in the projected cash flows of the group and hence, the continued support of the ultimate parent company.

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 unrecoupable 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. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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 Staff numbers and costs

The average number of persons (including directors) employed by the company during the year was 3 *(2001: 3)* all of whom were paid by a fellow group undertaking.

3 Directors' emoluments

None of the directors received any remuneration from the company during the year *(2001: £Nil).*

4 Tax on profit on ordinary activities

	2002 £	2001 £
UK current tax:		
Corporation tax on the results for the year and total current tax	**93,000**	-

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2001: no tax charge)* than the standard rate of corporation tax in the UK 30% *(2001: 30%).* The differences are explained below:

	2002 £	2001 £
Current tax reconciliation		
Profit on ordinary activities before tax	**309,596**	-
Current tax at 30% *(2001: 30%)*	**92,879**	-
Effects of:		
Expenses not deductible for tax purposes	**121**	-
Total current tax charge (see above)	**93,000**	-

The company has unutilised tax loss of £193,000 for which no deferred tax asset has been recognised.

Notes *(continued)*

5 Stocks

	2002 £	2001 £
Film project inventory	**1,619,278**	16,260

6 Debtors

	2002 £	2001 £
Trade debtors	-	2,350
Other debtors	**61,007**	-
	61,007	2,350

7 Creditors: amounts falling due within one year

	2002 £	2001 £
Corporation tax	**93,000**	-
Other creditors	**114,074**	-
	207,074	-

8 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Amounts owed to group undertakings	**1,451,911**	213,906

9 Share capital

	2002 £	2001 £
Authorised, allotted, called up and fully paid:		
200 ordinary shares of 50p each	**100**	100

Notes *(continued)*

10 Reconciliation of movement in shareholders' funds

	2002	2001
	£	£
Shareholders' funds brought forward	**(195,296)**	(195,296)
Profit for the financial year	**216,596**	-
Shareholders' funds carried forward	**21,300**	(195,296)

11 Capital commitments

There were no capital commitments at 31 March 2002 *(2001: £Nil).*

12 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, W1B 4BG.