

Winchester Jellabies Limited

**Directors' report and financial
statements**

Registered number 2992486

31 March 2004



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

Principal activity

The principal activity of the company is the production of the children's television series "Jellabies". As the Company no longer holds rights over the television series "Jellabies" the Company has not made any revenue from this title during the year.

Results and dividends

The loss for the financial year was £19,517 (2003: £282,816). No dividends were paid or proposed during the year (2003: £nil).

Directors and directors' interests

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

G Smith (Resigned 22 October 2003)
R Payne (Appointed 22 October 2003)
S Taylor

R Payne and S Taylor had the following interests in the share capital of the ultimate parent company, ContentFilm plc:

	31 March 2004			31 March 2003		
	Ordinary shares of 5p each	Share options	Share options	Ordinary shares of 5p each	Share options	Share options
		(i)	(ii)		(i)	(ii)
R Payne	-	130,000	-	-	-	-
S Taylor	66,000	18,927	481,073	-	18,927	381,073

(i) 1993 Executive Share Option scheme.

(ii) 1996 Unapproved Executive Share Option Scheme

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

Auditors

A resolution is to be proposed at the forthcoming annual general meeting for the re-appointment of KPMG Audit Plc as auditors of the Company.

By order of the board

S Taylor
Secretary

19 Heddon Street
London
W1B 4BG

3 November 2004

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.

Independent auditor's report to the members of Winchester Jellabies Limited

We have audited the financial statements on pages 4 to 10.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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.

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 2004 and of its loss 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
Crawley

3 November 2004

Profit and loss account
for the year ended 31 March 2004

	<i>Note</i>	2004 £	2003 £
Turnover	2	-	-
Cost of sales		(14,695)	(190,018)
		<hr/>	<hr/>
Gross loss		(14,695)	(190,018)
Administrative expenses		(3,131)	(8,722)
		<hr/>	<hr/>
Operating loss		(17,826)	(198,740)
Interest payable	6	(24)	(76)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	(17,850)	(198,816)
Tax charge on loss on ordinary activities	7	(1,667)	(84,000)
		<hr/>	<hr/>
Loss for the financial year		(19,517)	(282,816)
Profit and loss account brought forward		(1,532,203)	(1,249,387)
		<hr/>	<hr/>
Profit and loss account carried forward		(1,551,720)	(1,532,203)
		<hr/> <hr/>	<hr/> <hr/>

Turnover and results reported above all relate to continuing operations.

Statement of total recognised gains and losses
for the year ended 31 March 2004

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

Balance sheet
at 31 March 2004

	<i>Note</i>	2004 £	2003 £
Current assets			
Stocks	8	-	394,819
Debtors	9	26,341	36,377
		<hr/>	<hr/>
		26,341	431,196
Creditors: amounts falling due within one year	10	(1,578,059)	(516)
		<hr/>	<hr/>
Net current (liabilities)/assets and total assets less current liabilities		(1,551,718)	430,680
Creditors: amounts falling due after more than one year	11	-	(1,962,881)
		<hr/>	<hr/>
Net liabilities		(1,551,718)	(1,532,201)
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	2	2
Profit and loss account		(1,551,720)	(1,532,203)
		<hr/>	<hr/>
Equity shareholders' deficit	13	(1,551,718)	(1,532,201)
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 3 November 2004 and were signed on its behalf by:



S 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.

Basis of preparation

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds provided to it by ContentFilm plc (formerly Winchester Entertainment plc), the company's ultimate holding undertaking. ContentFilm plc has indicated that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of television project inventory, cost is taken as direct costs incurred for the production of television projects less any foreseeable losses. Interest on any loans taken out to fund specific production costs is capitalised until the date of completion. Television project inventory is appraised at each balance sheet date 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 having regard to the present value of estimated sales less further costs of completion and unrecoverable sales expenses.

Income recognition

Income from the exploitation of television rights is recognised on a receivable basis, except where payment is dependent on the television project being completed or delivered, in which case income is recognised on completion or delivery.

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.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred or accelerated 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.

Cash flow statement

A cash flow statement has not been prepared because the company is a wholly owned subsidiary of ContentFilm plc (formerly 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 Standard 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 ContentFilm plc (formerly 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 sales of the television series "Jellabies" and licensing of other rights in the series.

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2004 £	2003 £
Exchange loss	-	7,167
	<u> </u>	<u> </u>

Audit fees are borne by a fellow group undertaking.

4 Staff numbers and costs

The average number of persons (including directors) employed by the company during the year was as follows:

	Number of employees 2004	2003
Selling and marketing	2	2
	<u> </u>	<u> </u>

Staff costs have been borne by a fellow group company.

5 Directors' Emoluments

None of the directors received any remuneration from the company during the year (2003: nil).

6 Net interest payable

	2004 £	2003 £
Bank interest payable	24	76
	<u> </u>	<u> </u>
	24	76
	<u> </u>	<u> </u>

Notes (continued)

7 Tax on loss on ordinary activities

	2004 £	2003 £
UK current tax:		
Corporation tax credit on the results for the year	-	-
Adjustment in respect of prior year	1,667	84,000
	<hr/>	<hr/>
Total current tax charge	1,667	84,000
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the year is higher (2003: higher) than the standard rate of corporation tax in the UK 30% (2003: 30%). The differences are explained below:

	2004 £	2003 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(17,850)	(198,816)
	<hr/>	<hr/>
Current tax credit at 30% (2003: 30%)	(5,355)	(59,645)
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	120
Provision against inter-company account	900	-
Tax losses carried forward	4,455	59,525
Adjustments to tax charge in respect of previous periods	1,667	84,000
	<hr/>	<hr/>
Total current tax charge (see above)	1,667	84,000
	<hr/>	<hr/>

Factors affecting future tax charges

There are unutilised tax losses within the company of £1,633,000 (2003: 1,617,817) carried forward for relief against future suitable taxable profits and for which no deferred tax asset has been recognised on the grounds of prudence.

8 Stocks

	2004 £	2003 £
Television project inventory	-	394,819
	<hr/>	<hr/>

Notes (continued)

9 Debtors

	2004 £	2003 £
Corporation tax recoverable	-	1,667
Amounts owed by group undertakings	26,341	34,710
	<u>26,341</u>	<u>36,377</u>

10 Creditors: amounts falling due within one year

	2004 £	2003 £
Bank overdraft	-	516
Amounts owed to group undertakings	1,578,059	-
	<u>1,578,059</u>	<u>516</u>

The Directors have reviewed the classification of the intercompany creditor during the year and, on the basis of the terms and conditions attached, believe it is more appropriate to classify this as a creditor due within one year.

11 Creditors: amounts falling due after more than one year

	2004 £	2003 £
Amounts owed to group undertakings	-	1,962,881
	<u>-</u>	<u>1,962,881</u>

12 Share capital

	2004 £	2003 £
<i>Authorised:</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid:</i>		
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

Notes (continued)

13 Reconciliation of movement in shareholders' deficit

	2004 £	2003 £
Shareholders' deficit brought forward	(1,532,201)	(1,249,385)
Loss for the financial year	(19,517)	(282,816)
	<hr/>	<hr/>
Shareholders' deficit carried forward	(1,551,718)	(1,532,201)
	<hr/>	<hr/>

14 Capital commitments

There were no capital commitments at 31 March 2004 (2003: £nil).

15 Ultimate controlling party

The company is controlled by ContentFilm plc (formerly Winchester Entertainment plc), the ultimate parent company, which is also the ultimate controlling party. The only group in which the results of the company are consolidated is ContentFilm plc. The consolidated accounts of this company are available to the public and may be obtained from the company's registered address, 19-21 Heddon Street, W1B 4BG.

16 JP Morgan Chase Guarantee

In relation to a Credit and Guaranty Agreement (the Agreement) dated March 26 2004, between JP Morgan Chase Bank, the Company's parent company ContentFilm plc, and a related company ContentFilm Inc., the Company has provided a guarantee to JP Morgan Chase Bank in relation to the repayment of all amounts owing under the Agreement. Further JP Morgan Chase Bank have a security interest over the assets of the Company and its shares. The balance of the bank facility in ContentFilm plc as at 31 March 2004 was £5.6m.