Winchester (The Sea Change) Limited

Directors' report and financial statements

Registered number 3327347

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 review of business

The principal activity of the company is the production of the live action feature film "The Sea Change".

Results and dividends

The loss for the financial year was £65,923 *(2001: £44,362).*

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
SK Taylor (appointed 26 November 2001)
JM Wilkes (resigned 26 November 2001)

The interests of G Smith and SK Taylor 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 period.

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 period 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 (The Sea Change) 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 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

29 August 2002

Profit and loss account
for the year ended 31 March 2002

	Note	2002 £	2001 £
Turnover	2	**4,000**	7,638
Cost of sales		**(97,923)**	(70,000)
Gross loss		**(93,923)**	(62,362)
Administrative expenses		-	-
Operating loss		**(93,923)**	(62,362)
Net interest payable	4	-	-
Loss on ordinary activities before taxation		**(93,923)**	(62,362)
Tax on loss on ordinary activities	5	**28,000**	18,000
Loss on ordinary activities after taxation		**(65,923)**	(44,362)
Profit and loss account brought forward		**(463,879)**	(419,517)
Profit and loss account carried forward		**(529,802)**	(463,879)

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

	Note	**2002**	2001
		£	£
Current assets			
Stocks	*6*	**186,285**	284,208
Debtors	*7*	**246,943**	218,943
Cash at bank and in hand		**472**	472
		433,700	503,623
Creditors: amounts falling due within one year	*8*	**(12,102)**	(12,102)
Net current assets and total assets less current liabilities		**421,598**	491,521
Creditors: amounts falling due after more than one year	*9*	**(951,398)**	(955,398)
Net liabilities		**(529,800)**	(463,877)
Capital and reserves			
Called up share capital	*10*	**2**	2
Profit and loss account		**(529,802)**	(463,879)
Equity shareholders' funds	*11*	**(529,800)**	(463,877)

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 production of the film 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 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 unrecoupable sales expenses.

Income recognition

Income from the exploitation of film rights is recognised on a receivable basis, except where payment is dependent on the film 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 results 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 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 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 from the exploitation of intellectual property rights.

3 Staff numbers and costs

The average number of persons (including directors) employed by the company during the year was 2 *(2001: 2)*. Neither of the directors received any remuneration from the company during the year.

4 Net interest payable

	2002	2001
	£	£
Bank interest payable	**-**	-

5 Tax on loss on ordinary activities

	2002	2001
	£	£
UK current tax:		
Corporation tax credit on the results for the year and total current tax credit	**28,000**	18,000

Factors affecting the tax credit for the current year

The current tax credit for the year is lower *(2001: lower)* than the standard rate of corporation tax in the UK 30% *(2001: 30%)*. The differences are explained below:

	2002	2001
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	**(93,923)**	(62,362)
Current tax credit at 30% *(2001: 30%)*	**28,177**	18,709
Effects of:		
Expenses not deductible for tax purposes	**(177)**	(709)
Total current tax credit (see above)	**28,000**	18,000

Notes *(continued)*

6 Stocks

	2002	2001
	£	£
Film project inventory	**186,285**	284,208

7 Debtors

	2002	2001
	£	£
Amounts owed by group undertaking	**204,000**	186,000
Corporation tax recoverable	**28,000**	18,000
Other debtors	**14,943**	14,943
	246,943	218,943

8 Creditors: amounts falling due within one year

	2002	2001
	£	£
Trade creditors	**9,702**	9,702
Accruals	**2,400**	2,400
	12,102	12,102

9 Creditors: amounts falling due after more than one year

	2002	2001
	£	£
Amounts owed to group undertakings	**951,398**	955,398

10 Share capital

	2002	2001
	£	£
Authorised:		
1,000 ordinary shares of £1 each	**1,000**	1,000
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	**2**	2

Notes *(continued)*

11 Reconciliation of movement in shareholders' funds

	2002	2001
	£	£
Shareholders' funds brought forward	**(463,877)**	(419,515)
Loss for the year	**(65,923)**	(44,362)
Shareholders' funds carried forward	**(529,800)**	(463,877)

12 Capital commitments

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

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, W1B 4BG.

14 Related parties

Graham Hampson Silk is entitled to a 20% share of net profits generated by The Sea Change after charging the group's sales commission and the projects selling expenses and production costs.