

ScreenStage Limited

(Registered Number 4166281)

**Directors' Report And Financial Statements
For the Period Ended 27 September 2003**



Directors Report and Financial Statements

For the Period Ended 27 September 2003

Contents

Page

Directors' report

1 - 2

Auditors' report

3

Profit and loss account

4

Balance sheet

5

Notes forming part of the financial statements

6 - 10

Directors' report for the period ended 27 September 2003

The Directors present their report and the audited financial statements of the company for the period ended 27 September 2003. The company was incorporated on 22 February 2001 and commenced trading on 5 February 2002.

The Company represents a Joint Venture between Carlton Communications Plc and The Ambassador Theatre Group Limited, and is governed by a Joint Venture agreement between the two parties.

Principal activities

The company's principal activity is that of television and theatre productions.

Review of business and future development

In its second period of trading, the company was commissioned by BBC One to produce a televised version of "Matthew Bourne's Nutcracker" for Christmas 2003. This was filmed at Sadlers Wells Theatre in January 2003. The two programmes commissioned by BBC Four in 2002 "On An Average Day" and "Vincent in Brixton" were delivered and broadcast in February 2003 and March 2003 respectively. In addition, ScreenStage filmed Ambassador Theatre Group's production of "Three Sisters" in May 2003 for broadcast in early 2004.

The company's development slate for live theatre projects was ongoing with "The Railway Children", "Midnight Cowboy", "The Reduced History of Classical Music" and "Old Dog". "Bad Girls The Musical" was given a successful one week workshop and the writers were commissioned to complete the script.

ScreenStage continues to develop relationships with third parties, with the aim of being the "first port of call" for anyone with an interest in the multi media opportunities of theatre/television crossover.

Results and dividends

The company made a loss of £83,779 (2002: £157,000) during the period. No dividends have been paid or proposed during the period.

Directors and their interests

The directors who held office during the period are given below:

Howard Panter
Rosemary Squire
Martin Baker (Resigned 4 June 2004)
Hedda Beeby (Resigned 11 May 2004)
Charles Elton
Filip Cieslik (Appointed 27 May 2004)

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

Directors' report for the period ended 27 September 2003 (continued)

Subsequent Events

On 16 October 2002 the boards of the joint venture party, Carlton Communications Plc, and Granada plc announced that they had agreed the terms of a proposed merger, paving the way for a fully consolidated ITV. The Secretary of State referred the proposed merger to the Competition Commission on 11 March 2003 and on 7 October 2003 announced that she had decided to clear the merger, subject to appropriate undertakings being given by Carlton and Granada. Carlton and Granada announced on 14 November 2003 that the terms of those undertakings had been agreed and duly accepted by the Secretary of State. On 2 February 2004 Carlton and Granada merged under a court approved Scheme of Arrangement to form ITV plc.

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the period ended 27 September 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



Helen Enright

Secretary
27 July 2004

Independent auditors' report to the members of Screenstage Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 at 27th September 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH
27 July 2004

Profit and Loss Account for the Period Ended 27 September 2003

	<i>Notes</i>	Period Ended 27 September 2003	Period Ended 30 September 2002
		£	£
Turnover	2	873,185	165,000
Cost of Sales		(771,097)	(140,613)
Gross Profit		102,088	24,387
Operating Income and Expenses		(188,918)	(182,504)
Loss on Ordinary Activities before Interest	3	(86,830)	(158,117)
Interest Receivable	6	3,051	607
Loss on Ordinary Activities before Taxation		(83,779)	(157,510)
Taxation on Profit on Ordinary Activities	7	-	510
Retained Loss for the Period		(83,779)	(157,000)

The company has no recognised gains or losses in the current period other than as presented in the profit and loss account above, and thus a statement of total recognised gains and losses is not required.

There are no differences between the results shown above and those on a historical cost basis.

All income and expenditure relates to continuing operations.

The notes on pages 6 to 10 form an integral part of these financial statements.

Balance Sheet as at 27 September 2003

	<i>Notes</i>	Period Ended 27 September 2003 £	Period Ended 30 September 2002 £
Fixed Assets	9	3,315	4,972
Current Assets			
Stock	8	11,757	-
Debtors	10	27,563	12,790
Cash at Bank and in Hand		356,891	348,714
		<u>396,211</u>	<u>361,504</u>
Creditors: Amounts falling due within one year	11	(163,995)	(47,167)
Net Current Assets		<u>232,216</u>	<u>314,337</u>
Total Assets less Current Liabilities		<u>235,531</u>	<u>319,309</u>
Capital and Reserves			
Share Capital	12	500,000	500,000
Profit and Loss Account		(264,469)	(180,691)
Equity Shareholders Funds	13	<u>235,531</u>	<u>319,309</u>

The financial statements on pages 4 to 10 were approved by the directors on 27 July 2004 and signed on their behalf by:

ASymme

Director

The notes on pages 6 to 10 form an integral part of these financial statements.

Notes to the Financial Statements for the Period Ended 27 September 2003

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

a) Basis of accounting

The financial statements are prepared in accordance with the historical cost basis of accounting.

b) Tangible Fixed Assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rate used for plant, machinery and office equipment is 25%.

c) Cash flow Statement

The company has not presented a statement of cash flows in accordance with Financial Reporting Standard number 1 (revised 1996) as the company is exempted from preparing as it qualifies as a small company.

d) Deferred tax

Full provision is made for deferred tax liabilities arising from timing difference, in respect of transactions or events that result in an obligation to pay tax in the future that have originated but not reversed by the balance sheet date. A deferred tax asset is not recognized to the extent that recoverability is uncertain. Deferred tax liabilities and assets which are recognized are not discounted.

e) Stock

Stock represents work in progress and amounts invested in the production of theatre shows and include screen rights. Work in progress and screen rights are stated at the lower of cost or net realisable value. Screen rights are amortised over the period of exploitation.

f) Pensions

A parent company, Ambassador Theatre Group Limited, operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

The pension cost charge represents contributions payable by the company to the fund in accordance with FRS 17.

g) Revenue

Revenue is recognised, in accordance with each contract terms when customers have been invoiced and as work is performed.

2 Turnover

Turnover represents amounts received for services excluding VAT.

Notes to the Financial Statements for the Period Ended 27 September 2003
(continued)

3. Loss on Ordinary activities before interest

Loss on ordinary activities is stated after charging:

	Period Ended 27 September 2003 £	Period Ended 30 September 2002 £
Auditors' Remuneration	3,000	3,000
Depreciation	1,657	1,657

4. Directors Emoluments

There were no payments made to directors during the period.

5. Employee Information

There were two employees during the period.

Employee costs for the period

	Period Ended 27 September 2003 £	Period Ended 30 September 2002 £
Wages and salaries	95,140	86,685
Social security costs	11,117	9,131
Pensions	1,521	
	<u>107,778</u>	<u>95,816</u>

6. Interest receivable

	Period Ended 27 September 2003 £	Period Ended 30 September 2002 £
Bank interest	<u>3,051</u>	<u>607</u>

7. Tax on profit on ordinary activities

Taxation On Loss On Ordinary Activities

	Period Ended 27 September 2003 £	Period Ended 30 September 2002 £
(a) Analysis of tax credit / (charge) for the period		
United Kingdom corporation tax based on the loss for the period at 30%	-	(61)
Adjustment to prior period	-	571
Current tax credit for the period	-	<u>510</u>

Notes to the Financial Statements for the Period Ended 27 September 2003
(continued)

7. Tax on Loss on Ordinary Activities (continued)

b) Factors affecting current tax charge for the period

The current tax credit for the year is lower (2002: lower) than the standard rate of corporation tax in the UK (30%). The difference is explained below:

	Period Ended 27 September 2003 £	Period Ended 30 September 2002 £
Loss on ordinary activities before taxation	(83,779)	(157,510)
Tax credit at 30% (2001: 30%)	25,134	47,253
(Increase) decrease resulting from:		
Permanent adjustments and timing differences.	(25,134)	(47,314)
Prior period adjustment	-	571
Current tax credit	-	510

8. Stock

	Period Ended 27 September 2003 £	Period Ended 30 September 2002 £
Work in Progress	11,757	-

9. Tangible fixed assets

	Plant, Machinery and Office Equipment £
Cost	
At 1 October 2002 and 27 September 2003	6,629
Depreciation	
At 1 October 2002	1,657
Charge for the year	1,657
At 27 September 2003	3,314
Net Book Value	
At 27 September 2003	3,315
At 30 September 2002	4,972

Notes to the Financial Statements for the Period Ended 27 September 2003
(continued)

10. Debtors

Amounts falling due within one year

	Period Ended 27 September 2003 £	Period Ended 30 September 2002 £
Trade debtors	875	5,875
Prepayments	8,977	1,800
Other debtors	15,835	-
VAT	1,876	5,115
	<u>27,563</u>	<u>12,790</u>

11. Creditors

Amounts falling due within one year

	Period Ended 27 September 2003 £	Period Ended 30 September 2002 £
Trade creditors	14,260	18,472
Amounts due to joint venture parties	2,474	6,137
Corporation tax	632	632
Accruals and deferred income	143,293	21,926
Social Security	3,336	-
	<u>163,995</u>	<u>47,167</u>

12. Share capital

	Period Ended 27 September 2003 £	Period Ended 30 September 2002 £
Authorised: 2,000,000 ordinary shares of £1 each	2,000,000	2,000,000
Allotted, issued and fully paid: 500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

Notes to the Financial Statements for the Period Ended 27 September 2003
(continued)

13. Reconciliation of movements in shareholders' funds

	Period ended 27 September 2003 £	Period ended 30 September 2002 £
Opening Shareholders' Funds	319,309	476,309
Loss for the Period	(83,779)	(157,000)
Closing Shareholders' Funds	<u>235,531</u>	<u>319,309</u>

14. Pensions

A parent company, Ambassador Theatre Group, operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

ScreenStage employees may join the Ambassador Theatre Group Pension scheme.

The pension cost charge represents contributions payable by the company to the fund in accordance with FRS 17. Details of recent actuarial valuations of the Ambassador Theatre Group Schemes are set out in the annual report of Ambassador Theatre Group Limited.

The total pension charge for the company was £1,521 (2002 - nil).

15. Related party transactions

The ultimate controlling interest is held jointly by Carlton Communications Plc and The Ambassador Theatre Group Limited.

For the period ended 27 September 2003 related party transactions were as follows:

	£
Amounts due to related parties at 1 October 2002	6,137
Services supplied by related parties	222,408
Payments made to related parties	(226,071)
Amounts due to related parties at 27 September 2003	<u>2,474</u>

Services supplied include expenses incurred and provided by The Ambassador Theatre Group Limited and Carlton Communications Plc.