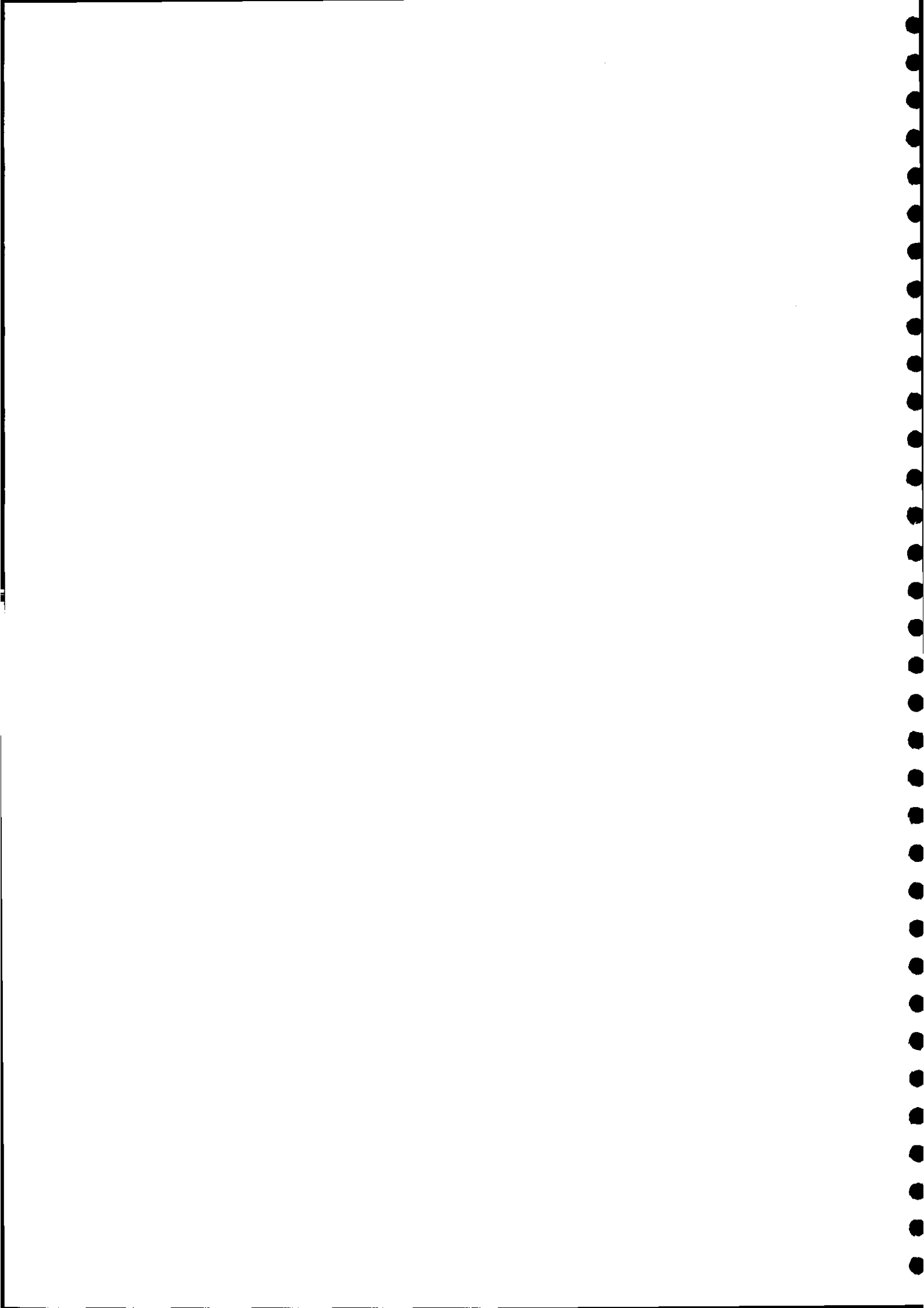


ScreenStage Limited

ScreenStage Limited
(Registered Number 4166281)

Directors' Report And Financial Statements
For the Year Ended 30 September 2002





ScreenStage Limited

ANNUAL REPORT

For the Year Ended 30 September 2002

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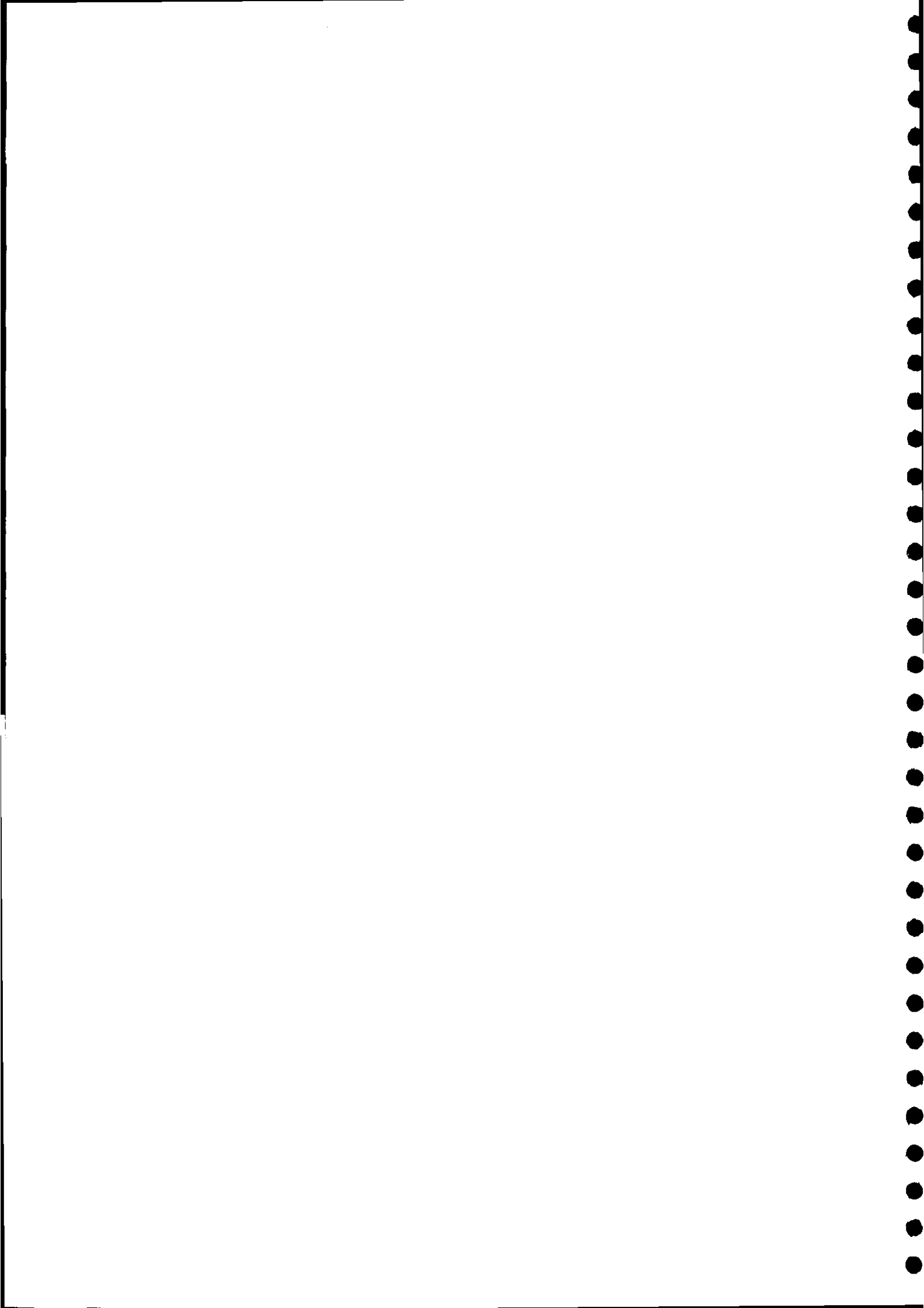
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Directors' report for the Year ended 30 September 2002

The Directors present their report and the audited financial statements of the company for the period ended 30 September 2002. 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

The company was commissioned by the BBC to produce a televised version of the ATG production "A Day in the Death of Joe Egg" from the Comedy Theatre. This was filmed in February 2002 and delivered and broadcast in March 2002. During the period the company entered negotiations with the BBC to televise a further two plays ("Vincent in Brixton" and "On an Average Day") these to be filmed in October 2002, the beginning of the following financial year.

In addition to its television production activity, the company was also involved in various developments of live stage projects and the negotiation/creation of a new-form commissioning Agreement incorporating both live stage and Television rights. The company commissioned a treatment of its "Reduced History of Classical Music" (working title) project. None of the other developments ("The Railway Children", "Old Dog") reached signed contract stage and therefore none of them attracted any direct costs apart from expenses.

As well as close liaison with its parent companies - ATG and Carlton Communications Plc, exploring cross-over and multi-media opportunities, the company also actively sought to develop new relationships with a variety of 3rd party producers, agents and theatrical companies during the period.

Results and dividends

The company made a loss of £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:

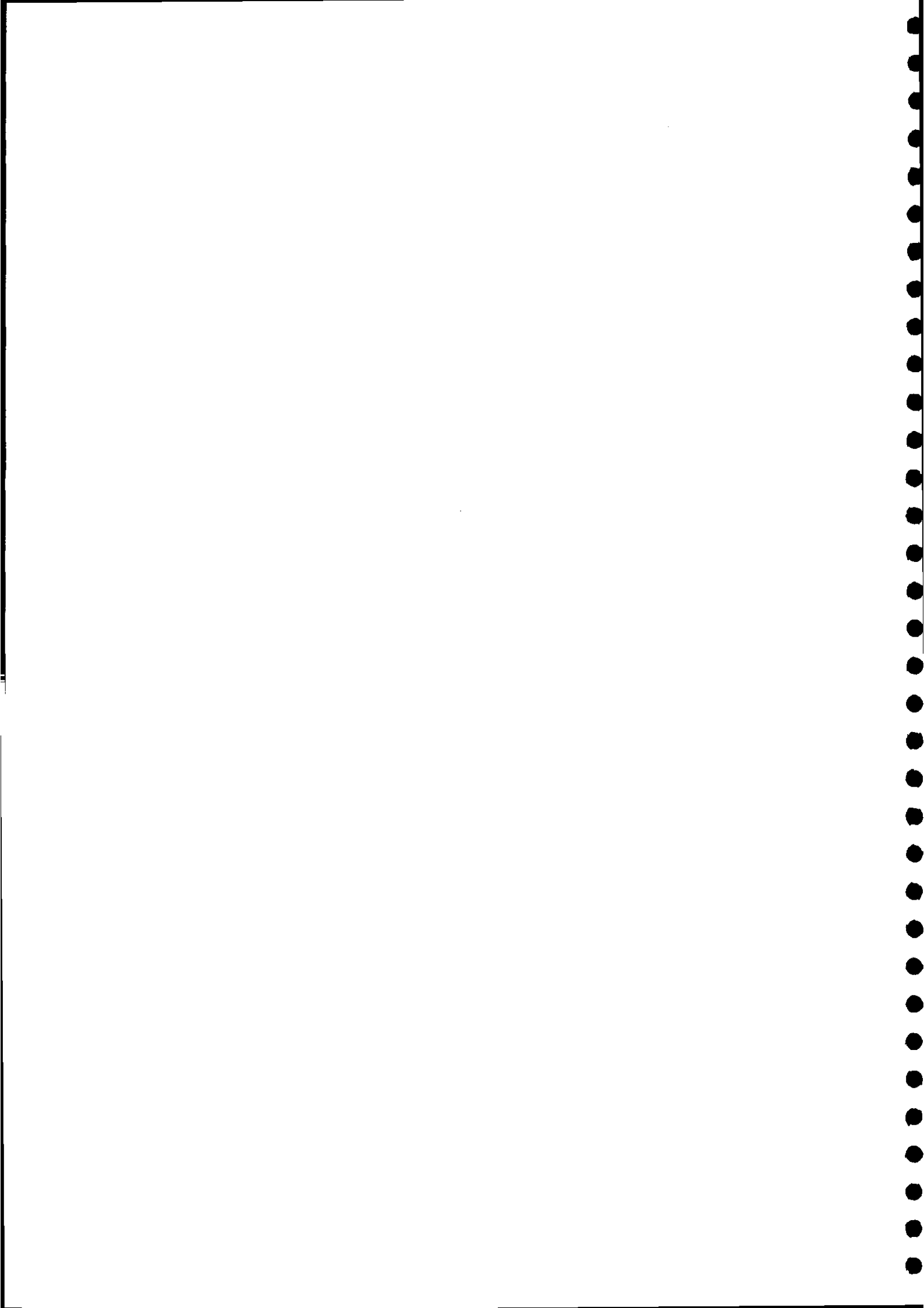
Howard Panter
Anne Bulford (Resigned 17 April 2002)
Rosemary Squire
Nick Symons (Resigned 15 October 2001)
Charles Elton (Appointed 15 October 2001)
Martin Baker (Appointed 17 April 2002)

Hedda Beeby was appointed as an alternative Director to Rosemary Squire on 26 September 2001.

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

Subsequent Events

There have been no events subsequent to the year-end that would have materially affected the financial statements at that date.



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 of the company for that period. In preparing those financial statements, the directors are required to:

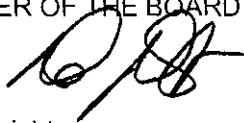
- a) Select suitable accounting policies and then apply them consistently.
- b) Make judgements and estimates that are reasonable and prudent.
- c) State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- d) 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 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.

Auditors

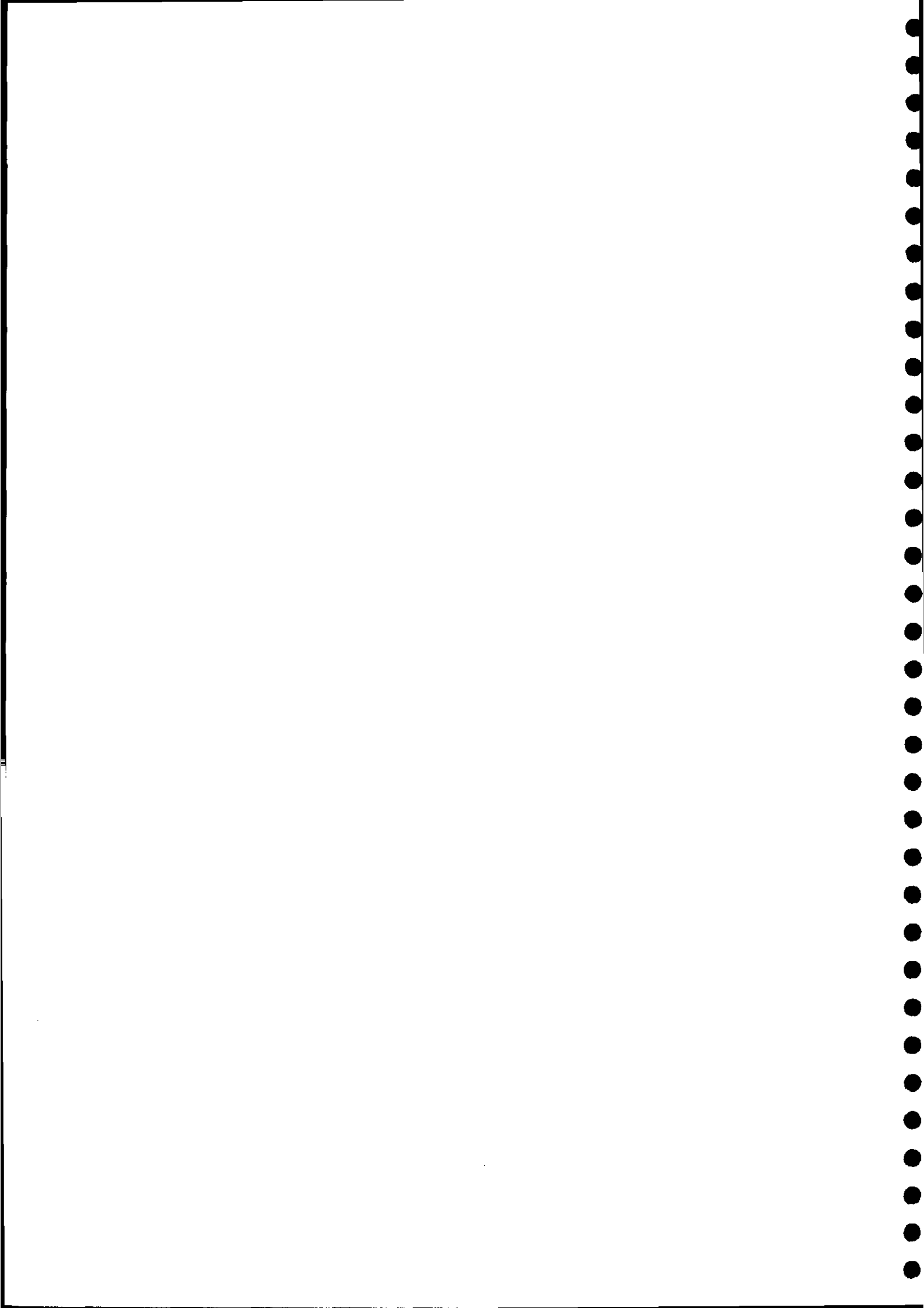
Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 3 June 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



Helen Enright

Secretary



Independent auditors' report to the members of Screenstage Limited

We have audited the financial statements which comprise the profit and loss account and the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

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 in to 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.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the directors' report.

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 judgments 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.

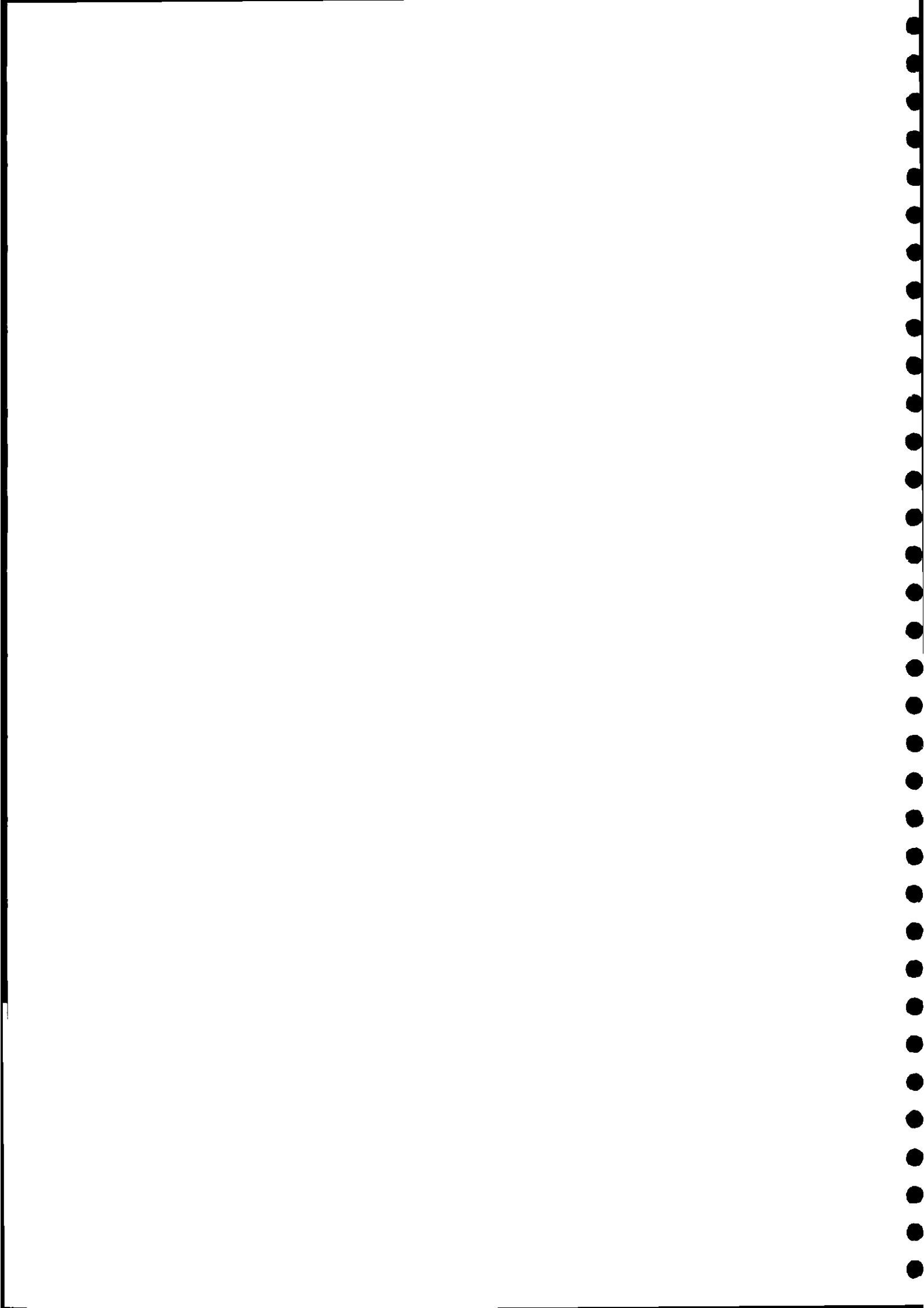
Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

20 June 2003



Profit and Loss Account for the Year Ended 30 September 2002

	<i>Notes</i>	Year to 30 September 2002	Period to 30 September 2001
		£	£
Turnover	2	165,000	0
Cost of Sales		(140,613)	0
Gross Profit		24,387	0
Operating Income and Expenses		(182,504)	(28,258)
Loss on Ordinary Activities before Interest	3	(158,117)	(28,258)
Interest Receivable	6	607	5,709
Loss on Ordinary Activities before Taxation		(157,510)	(22,549)
Taxation on Profit on Ordinary Activities	7	510	(1,142)
Loss on Ordinary Activities after Taxation	13	(157,000)	(23,691)
Dividend		-	-
Retained Loss for the Period		(157,000)	(23,691)
Retained Loss brought forward		(23,691)	-
Retained Loss carried forward		(180,691)	(23,691)

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 30 September 2001

	Notes	Year to 30 September 2002 £	Period to 30 September 2001 £
Fixed Assets	9	4,972	2,574
Current Assets			
Stock		-	5,000
Debtors	10	12,790	1,250
Cash at Bank and in Hand		348,714	505,709
		<u>361,504</u>	<u>511,959</u>
Creditors: Amounts falling due within one year	11	(47,167)	(38,224)
Net Current Assets		<u>314,337</u>	<u>473,735</u>
Total Assets less Current Liabilities		<u>319,309</u>	<u>476,309</u>
Capital and Reserves			
Share Capital	12	500,000	500,000
Profit and Loss Account	13	(180,691)	(23,691)
Equity Shareholders Funds		<u>319,309</u>	<u>476,309</u>

The financial statements on pages 4 to 10 were approved by the directors on 20 June 2003 and signed on their behalf by:


Director

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

Notes to the Financial Statements for the Year Ended 30 September 2002

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 rates used for plant, machinery and office equipment are 10-33%.

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.

2 Turnover

Turnover represents amounts received for services excluding VAT.

3. Loss on Ordinary activities before interest

Loss on ordinary activities is stated after charging:

	Year to 30 September 2002 £	Period to 30 September 2001 £
Write down of work in progress	-	10,000
Auditors' Remuneration	3,000	3,000
Depreciation	1,657	-

Notes to the Financial Statements for the Year Ended 30 September 2002.

4. Directors Emoluments

There were no payments made to directors during the period.

5. Employee Information

There were two employees during the period.

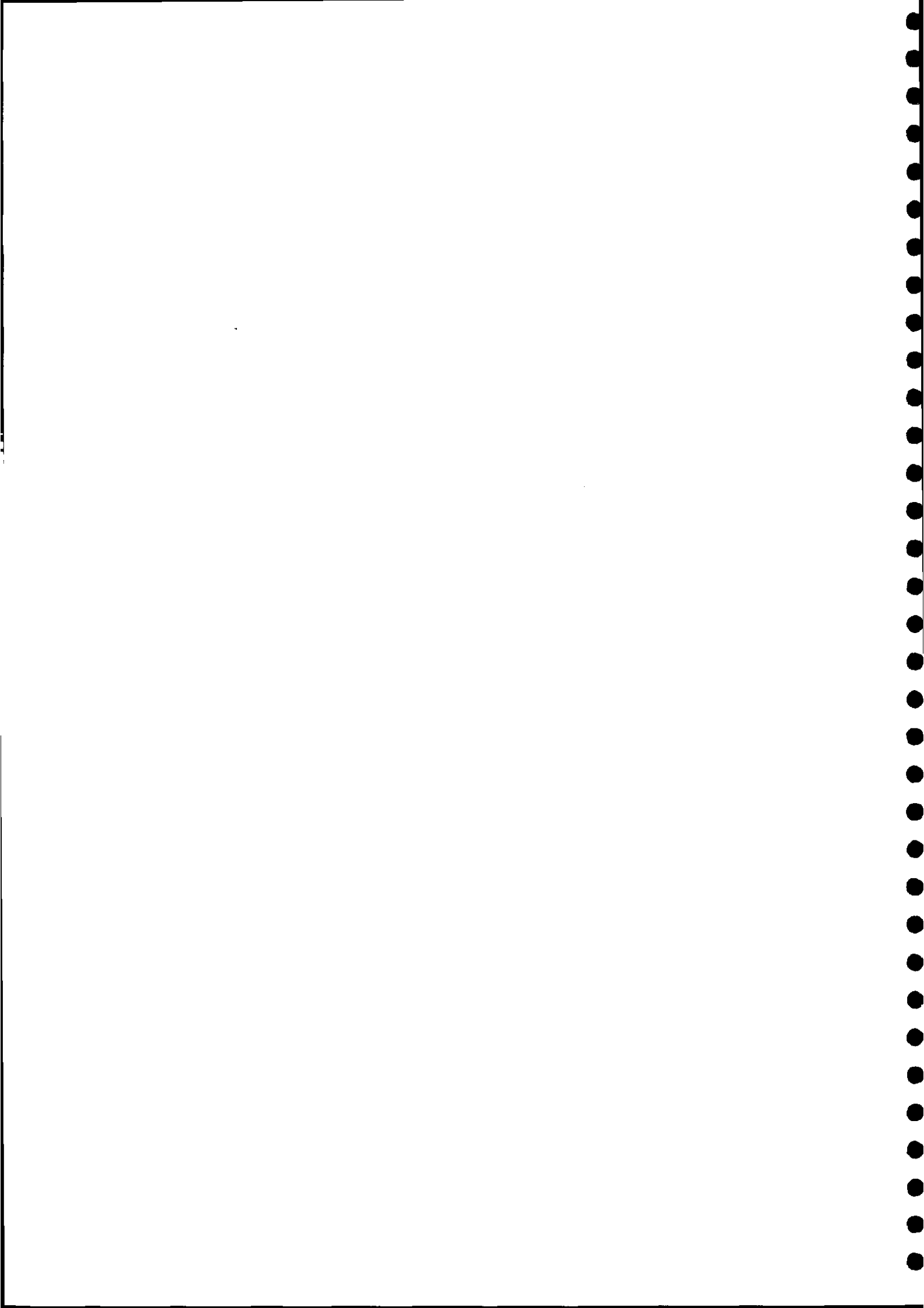
Employee costs for the period	Year to 30 September 2002 £	Period to 30 September 2001 £
Wages and salaries	86,685	5,544
Social security costs	9,131	570
	<u>95,816</u>	<u>6,114</u>

6. Interest receivable

	Year to 30 September 2002 £	Period to 30 September 2001 £
Bank interest	607	5,709

7. Tax on profit on ordinary activities

Taxation On Loss On Ordinary Activities	Year to 30 September 2002 £	Period to 30 September 2001 £
(a) Analysis of tax credit / (charge) for the year		
United Kingdom corporation tax based on the loss for the year at 30%	(61)	(1,142)
Adjustment to prior year	571	-
Current tax credit / (charge) for the year	<u>510</u>	<u>(1,142)</u>



Notes to the Financial Statements for the Year Ended 30 September 2002**7. Tax on Loss on Ordinary Activities (continued)**

b) Factors affecting current tax charge for the year

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

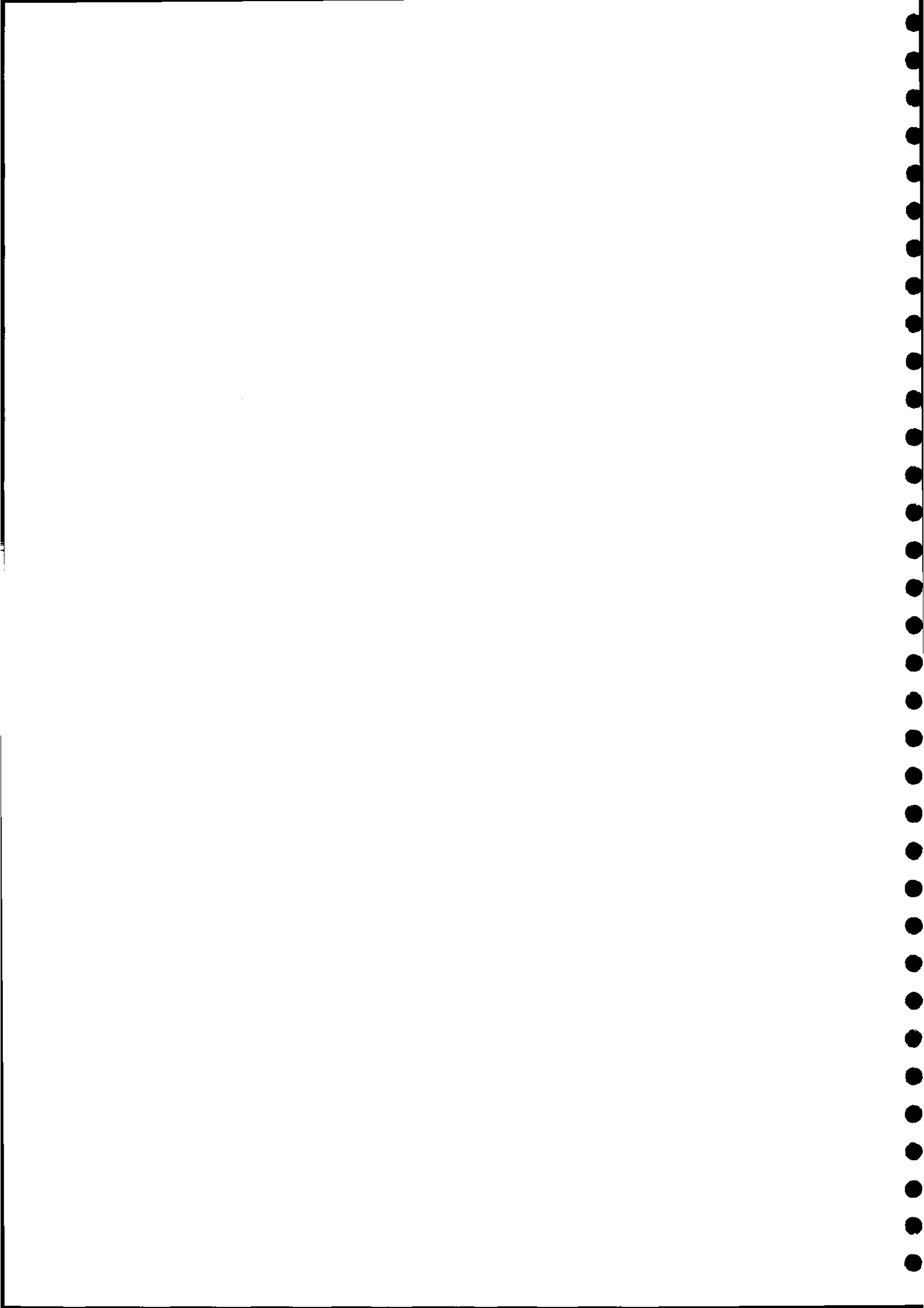
	Year to 30 September 2002 £	Period to 30 September 2001 £
Loss on ordinary activities before taxation	(157,510)	(22,549)
Tax credit / (charge) at 30% (2001: 30%)	47,253	6,765
(Increase) decrease resulting from:		
Permanent adjustments and timing differences.	(47,314)	(7,907)
Prior year adjustment	571	-
Current tax credit/ (charge)	510	(1,142)

8. Stock

	Year to 30 September 2002 £	Period to 30 September 2001 £
Screen rights	-	5,000

9. Tangible fixed assets

	Plant, Machinery and Office Equipment £
Cost	
At 1 October 2001	2,574
Additions	4,055
At 30 September 2002	6,629
Depreciation	
At 1 October 2001	-
Charge for the year	1,657
At 30 September 2002	1,657
Net Book Value	
At 30 September 2002	2,574
At 30 September 2001	4,972



Notes to the Financial Statements for the Year Ended 30 September 2002**10. Debtors**

Amounts falling due within one year	Year to 30 September 2002 £	Period to 30 September 2001 £
Trade debtors	5,875	-
Prepayments	1,800	-
Other debtors	-	1,250
VAT	5,115	-
	<u>12,790</u>	<u>1,250</u>

11. Creditors

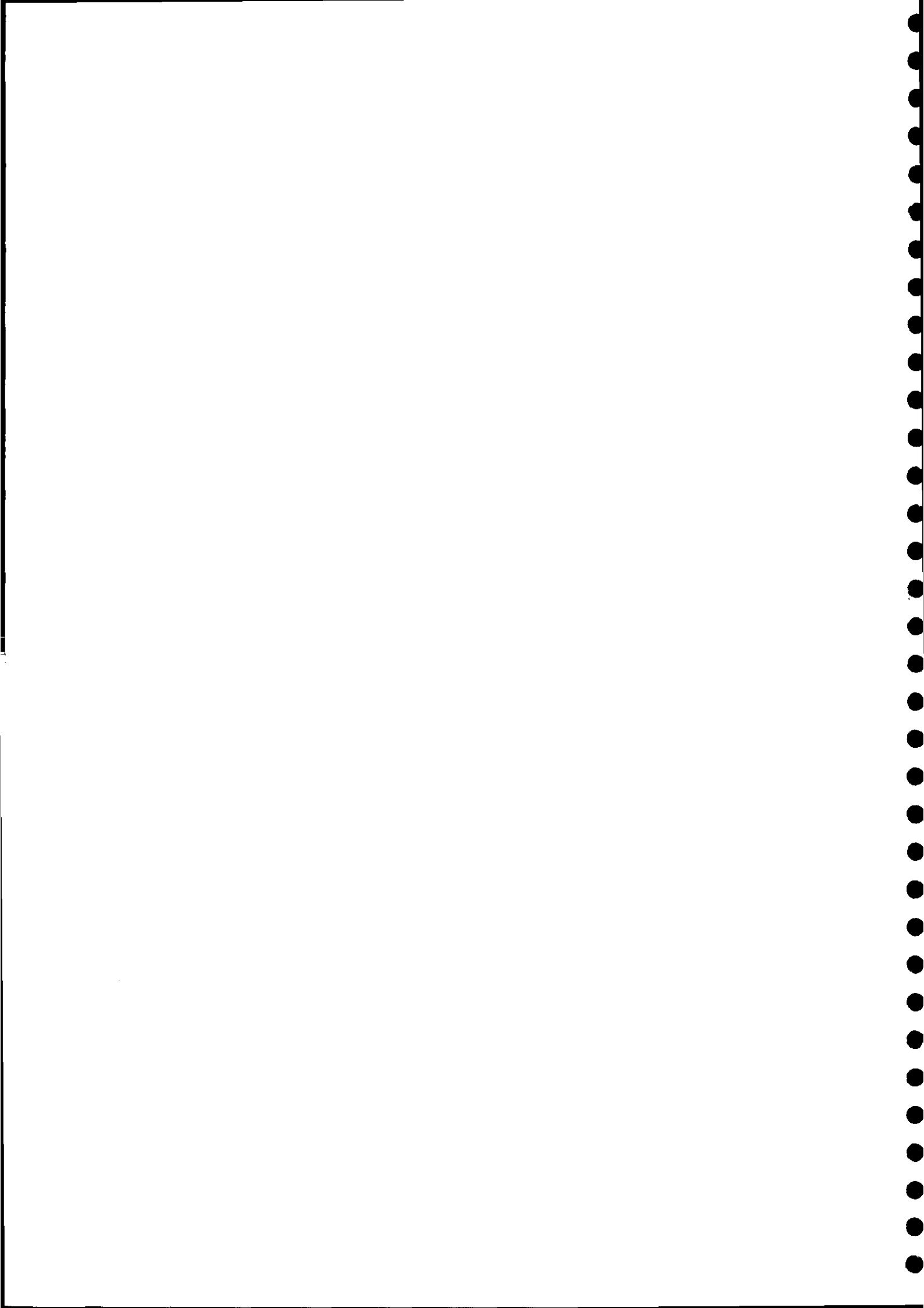
Amounts falling due within one year	Year to 30 September 2002 £	Period to 30 September 2001 £
Trade creditors	18,472	2,273
Amounts due to joint venture parties	6,137	31,610
Corporation tax	632	1,142
Accruals and deferred income	21,926	3,199
	<u>47,167</u>	<u>38,224</u>

12. Share capital

	Year to 30 September 2002 £	Period to 30 September 2001 £
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	500,000	500,000
	<u>500,000</u>	<u>500,000</u>

13. Reconciliation of movements in shareholders' funds

	Year to 30 September 2002 £	Period to 30 September 2001 £
Opening Shareholders' Funds	476,309	-
Loss for the Period	(157,000)	(23,691)
Net Proceeds of issue of share capital	-	500,000
Closing Shareholders' Funds	<u>319,309</u>	<u>476,309</u>



Notes to the Financial Statements for the Year Ended 30 September 2002

14. Related party transactions

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

For the year ended 30 September 2002 related party transactions were as follows:

	2002 £
Amounts due to related parties at 01.10.2001	31,610
Services supplied to related parties	31,610
Services supplied by related parties	6,137
Amounts due from related parties	-
Amounts due to related parties at 30.09.2002	6,137

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

