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Castle Rock Productions Limited
Directors' report and financial statements
for the year ended 31st December 2002



Castle Rock Productions Limited

Company information

Directors	J. Stott G.M. Paul L.S. Sams J. Campbell
Secretary	Gray's Inn Secretaries Limited
Company number	2543014
Registered office	Turner House 16 Great Marlborough Street London W1F 7HS
Auditors	West Wake Price & Co Salisbury House London Wall London EC2M 5QU

Castle Rock Productions Limited

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Castle Rock Productions Limited

Directors' report for the year ended 31st December 2002

The directors present their report and the financial statements for the year ended 31st December 2002.

Principal activity and review of the business

The principal activity of the company was that of cinematographic film production and there was no significant change therein during the year.

Results and dividends

The results for the year are set out on page 3.

The directors do not recommend payment of a final dividend.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	31/12/02	01/01/02
J. Stott	-	-
G.M. Paul	-	-
L.S. Sams	-	-
J. Campbell	-	-

In accordance with the Company's Articles of Association, the directors are not subject to retirement by rotation.

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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

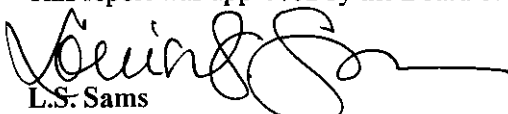
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the 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 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

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that West Wake Price & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 22nd April 2003 and signed on its behalf by:-


L.S. Sams
Director

Independent auditors' report to the shareholders of Castle Rock Productions Limited

We have audited the financial statements of Castle Rock Productions Limited for the year ended 31st December 2002 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 31st December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

West Wake Price & Co

West Wake Price & Co
Chartered Accountants and
Registered Auditors
22nd April 2003

Castle Rock Productions Limited

**Profit and loss account
for the year ended 31st December 2002**

		Continuing operations	
		2002	2001
	Notes	£	£
Administrative expenses		<u>(1,526)</u>	<u>(3,836)</u>
Loss on ordinary activities before taxation		(1,526)	(3,836)
Tax on loss on ordinary activities	3	<u>-</u>	<u>9,516</u>
(Loss)/retained profit for the year		(1,526)	5,680
Retained profit brought forward		<u>40,316</u>	<u>34,636</u>
Retained profit carried forward		<u><u>38,790</u></u>	<u><u>40,316</u></u>

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 6 to 8 form an integral part of these financial statements.

Castle Rock Productions Limited

**Balance sheet
as at 31st December 2002**

		2002		2001	
	Notes	£	£	£	£
Current assets					
Debtors	4	40,522		43,164	
		<u>40,522</u>		<u>43,164</u>	
Creditors: amounts falling due within one year	5	(1,730)		(2,846)	
Net current assets			<u>38,792</u>		<u>40,318</u>
Net assets			<u><u>38,792</u></u>		<u><u>40,318</u></u>
Capital and reserves					
Called up share capital	6		2		2
Profit and loss account			<u>38,790</u>		<u>40,316</u>
Equity shareholders' funds	7		<u><u>38,792</u></u>		<u><u>40,318</u></u>

The financial statements were approved by the Board on 22nd April 2003 and signed on its behalf by:-



L.S. Sams
Director

The notes on pages 6 to 8 form an integral part of these financial statements.

Castle Rock Productions Limited

**Cash flow statement
for the year ended 31st December 2002**

	Notes	2002 £	2001 £
Reconciliation of operating loss to net cash inflow from operating activities			
Operating loss		(1,526)	(3,836)
Decrease in debtors		2,642	77,661
(Decrease) in creditors		(1,116)	(606,939)
Net cash inflow from operating activities		<u>-</u>	<u>(533,114)</u>
Cash flow statement			
Net cash inflow from operating activities		-	(533,114)
Taxation	10	-	(3,115)
Increase in cash in the year		<u>-</u>	<u>(536,229)</u>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		-	(536,229)
Net debt at 1st January 2002		-	536,229
Net funds at 31st December 2002		<u>-</u>	<u>-</u>

Castle Rock Productions Limited

Notes to the financial statements for the year ended 31st December 2002

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention .

The company has consistently applied all relevant accounting standards.

1.2. Deferred taxation

The company adopted Financial Reporting Standard 19 "Deferred Taxation" (FRS 19) during the financial year.

Full provision is made for deferred taxation on all timing differences which have arisen but have not reversed at the balance sheet date.

Prior to the adoption of FRS 19, the company provided for deferred taxation only to the extent that timing differences were expected to materialise in the foreseeable future. The adoption of the new policy has been made by way of a prior year adjustment as though the revised policy had always been applied.

2. Operating loss

	2002	2001
	£	£
Operating loss is stated after charging:		
Auditors' remuneration	940	2,056

Castle Rock Productions Limited

Notes to the financial statements for the year ended 31st December 2002

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3. Tax on loss on ordinary activities

Analysis of charge in period	2002 £	2001 £
Current tax		
Prior period adjustments	-	9,516
Total current tax charge	-	9,516
Tax on profit on ordinary activities	-	9,516

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before taxation	1,526	3,836
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (31st December 2001 : 30%)	458	1,151
Expenses not deductible for tax purposes	-	(150)
Adjustments to tax charge in respect of previous periods	-	9,516
Group relief	(458)	(1,001)
Current tax charge for period	-	9,516

4. Debtors

	2002 £	2001 £
Amounts owed by group undertakings	40,522	43,164

5. Creditors: amounts falling due within one year

	2002 £	2001 £
Other creditors	790	790
Accruals and deferred income	940	2,056
	1,730	2,846

Castle Rock Productions Limited
Notes to the financial statements
for the year ended 31st December 2002

..... continued

6. Share capital	2002	2001
	£	£
Authorised equity		
100 Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
Allotted, called up and fully paid equity		
2 Ordinary shares of £1 each	2	2
	<u> </u>	<u> </u>
7. Reconciliation of movements in shareholders' funds	2002	2001
	£	£
(Loss)/profit for the year	(1,526)	5,680
Opening shareholders' funds	40,318	34,638
	<u> </u>	<u> </u>
Closing shareholders' funds	38,792	40,318
	<u> </u>	<u> </u>
8. Contingent liabilities		
In the normal course of business there are contingent liabilities in respect of grants of security and guarantees given in connection with borrowings made by affiliated concerns.		
9. Ultimate parent undertaking		
The company's ultimate parent company is AOL Time Warner Inc. incorporated in the United States of America.		
10. Gross cash flows	2002	2001
	£	£
Taxation		
Corporation tax paid	-	(3,115)
	<u> </u>	<u> </u>