

Chapter II Productions Limited
Directors' Report and Financial Statements
For the period ended 26th March 2000



Presented for filing by -

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SOLICITORS**

Ref: smg/85-12037

Chapter II Productions Limited

Company Information

Directors	Gordon Radley Steven Condiotti
Secretary	RB Secretariat Limited
Company Number	01373440
Registered Office	Beaufort House, Tenth Floor 15 St Botolph Street London EC3A 7EE
Auditors	West Wake Price & Co Salisbury House London Wall London EC2M 5QU

Chapter II Productions Limited

Contents

	Page
Directors' Report	1
Auditors' Report	2
Profit and Loss Account	3
Balance Sheet	4
Notes to the Financial Statements	5 - 6

Chapter II Productions Limited

Directors' Report For the period ended 26th March 2000

The directors present their report and the financial statements for the period ended 26th March 2000.

Principal Activity

The principal activity of the company was the receipt and payment of distribution revenues from a cinematographic film and there was no significant change therein during the period.

Directors and their Interests

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

		Ordinary shares	
		2000	1999
Gordon Radley		-	-
Barry Howard Smith	(resigned 22nd May 2000)	-	-
Steven Condiotti	(appointed 22nd May 2000)	-	-

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 period 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 period. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

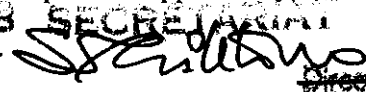
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets 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 is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on 21st November 2000 and signed on its behalf by:-


.....
Director / Secretary

RB Secretariat Limited
Secretary

Auditors' Report to the Shareholders of Chapter II Productions Limited

We have audited the financial statements on pages 3 to 6 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 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 26th March 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



West Wake Price & Co
Chartered Accountants and
Registered Auditors

21st November 2000

Chapter II Productions Limited

Profit and Loss Account For the period ended 26th March 2000

	2000	1999
Notes	£	£
Administrative expenses	(1,048)	(1,048)
Loss for the period	<u>(1,048)</u>	<u>(1,048)</u>
Accumulated loss brought forward	(12,973)	(11,925)
Accumulated loss carried forward	<u>(14,021)</u>	<u>(12,973)</u>

The notes on pages 5 to 6 form an integral part of these financial statements.

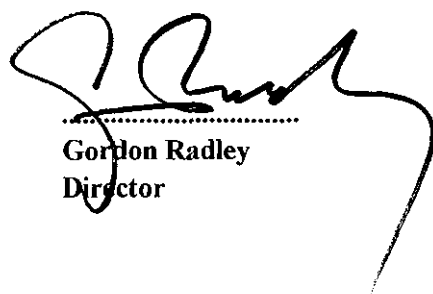
Chapter II Productions Limited

Balance Sheet As at 26th March 2000

	Notes	2000	1999
		£	£
Creditors: amounts falling due within one year	3	<u>(13,921)</u>	<u>(12,873)</u>
Net Current Liabilities		<u>(13,921)</u>	<u>(12,873)</u>
Total Assets Less Current Liabilities		<u><u>(13,921)</u></u>	<u><u>(12,873)</u></u>
Capital and Reserves			
Called up share capital	4	100	100
Profit and loss account		<u>(14,021)</u>	<u>(12,973)</u>
Shareholders' Funds		<u><u>(13,921)</u></u>	<u><u>(12,873)</u></u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

The financial statements were approved by the Board on 21st November 2000 and signed on its behalf by:-



 Gordon Radley
 Director

The notes on pages 5 to 6 form an integral part of these financial statements.

Chapter II Productions Limited

Notes to the Financial Statements For the period ended 26th March 2000

1. Accounting Policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities.

1.2. Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to materialise.

2. Operating loss	2000	1999
	£	£
Operating loss is stated after charging:		
Auditors' remuneration	500	500

3. Creditors: amounts falling due within one year	2000	1999
	£	£
Amounts owed to parent company	12,821	11,773
Other creditors	100	100
Accruals and deferred income	1,000	1,000
	<u>13,921</u>	<u>12,873</u>

4. Share capital	2000	1999
	£	£
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

5. Related party transactions

The company's ultimate parent company is George Lucas Inc, a United States Corporation. They control Lucasfilm Limited who own all of the issued share capital of Chapter II Productions Limited.

During the period the company received £1,231 (1999: £703) from Lucasfilm Limited, a company controlled by George Lucas Inc., and the balance owing to Lucasfilm Limited as at the period end was £13,004 (1999: £11,773).

Chapter II Productions Limited

**Notes to the Financial Statements
For the period ended 26th March 2000**

..... continued

6. Going concern

The directors have prepared these financial statements on a going concern basis which assumes the continued financial support of its parent company.