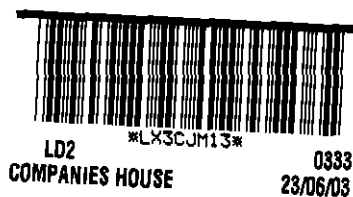


Registration number 01373440

Chapter II Productions Limited
Directors' Report and Financial Statements
for the period ended 30th March 2003



Presented for filing by-

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SOLICITORS

Ref: smg/0078896

Chapter II Productions Limited

Company information

Directors	Steven Condiotti Alan Edward Keith
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

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Chapter II Productions Limited

Directors' report for the period ended 30th March 2003

The directors present their report and the financial statements for the period ended 30th March 2003.

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	
	2003	2002
Gordon Radley (resigned 31st January 2003)	-	-
Steven Condiotti	-	-
Alan Edward Keith (appointed 31st January 2003)	-	-

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

The company has by elective resolution under Section 386(1) of the Companies Act 1985 dispensed with the annual reappointment of the auditors. West Wake Price & Co will be deemed to be reappointed for each succeeding financial year.

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 6th May 2003 and signed on its behalf by:

RB SECRETARIAT LIMITED

.....

RB Secretariat Limited

Secretary

Director/Secretary

Independent Auditors' Report to the Shareholders of Chapter II Productions Limited

We have audited the financial statements of Chapter II Productions Limited for the period ended 30th March 2003 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), 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 30th March 2003 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

West Wake Price & Co
Chartered Accountants
Registered Auditors
6th May 2003

Chapter II Productions Limited

**Profit and Loss Account
for the period ended 30th March 2003**

	2003	2002
Notes	£	£
Administrative expenses	<u>(1,113)</u>	<u>(1,123)</u>
Loss for the period	<u>(1,113)</u>	<u>(1,123)</u>
Accumulated loss brought forward	<u>(16,198)</u>	<u>(15,075)</u>
Accumulated loss carried forward	<u><u>(17,311)</u></u>	<u><u>(16,198)</u></u>

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

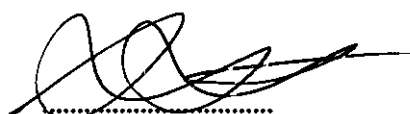
Chapter II Productions Limited

Balance Sheet as at 30th March 2003

		2003		2002	
	Notes	£	£	£	£
Creditors: amounts falling due within one year	3	(17,211)		(16,098)	
Net current liabilities			(17,211)		(16,098)
Deficiency of assets			(17,211)		(16,098)
Capital and reserves					
Called up share capital	4		100		100
Profit and loss account			(17,311)		(16,198)
Shareholders' funds			(17,211)		(16,098)

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 6th May 2003 and signed on its behalf by:



Steven Condiotti
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 30th March 2003

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 (effective June 2002).

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	2003 £	2002 £
Operating loss is stated after charging:		
Auditors' remuneration	500	500

3. Creditors: amounts falling due within one year	2003 £	2002 £
Amounts owed to parent company	15,999	14,933
Other creditors	100	100
Accruals and deferred income	1,112	1,065
	17,211	16,098

4. Share capital	2003 £	2002 £
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

During the period the company received £1,253 (2002: £1,243) from Lucasfilm Limited and the balance owing to Lucasfilm Limited as at the period end was £15,999 (2002: £14,933).

Chapter II Productions Limited

Notes to the financial statements for the period ended 30th March 2003

..... continued

6. Controlling interest

Lucasfilm Limited, a United States Corporation, which is 100% owned by George Lucas, owns 100% of the issued share capital of Chapter II Productions Limited.

7. Going concern

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