

Company Registration No 2671052 (England and Wales)

THE AMBASSADOR THEATRE GROUP LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

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THE AMBASSADOR THEATRE GROUP LIMITED

DIRECTORS AND ADVISERS

Directors

Sir Eddie Kulukundis OBE
H H Panter
D Beresford Jones
P M Beckwith
R A Squire
C A Smith
L I Isaacson CBE
D Blyth
N W Humby
J Simpson
J L Tanner
R G Orf
D G D Cassidy
H J Enright
W S Benjamin
A R Gavin
S P Berrill
M C Lynas
M Pashley
S M D Oliver
P R M Kavanagh (Appointed 20 September 2007)
M Leigh
F W Cieslik

M Leigh acts as an alternate for P M Beckwith

Secretary

H J Enright

Company number

2671052

Registered office

The Ambassadors
Peacocks Centre
Woking
Surrey
GU21 6GQ

Registered auditors

Saffery Champness
Lion House
Red Lion Street
London
WC1R 4GB

Bankers

National Westminster Bank plc
PO Box 113 Cavell House
2A Charing Cross Road
London
WC2H 0PD

THE AMBASSADOR THEATRE GROUP LIMITED

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THE AMBASSADOR THEATRE GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2007

The directors present their report and financial statements for the year ended 30 September 2007

Directors

The following directors have held office since 1 October 2006

Sir Eddie Kulukundis OBE

H H Panter

D Beeresford Jones

P M Beckwith

R A Squire

C A Smith

L I Isaacson CBE

D Blyth

N W Humby

J Simpson

J L Tanner

R G Orf

D G D Cassidy

H J Enright

W S Benjamin

A R Gavin

S P Berrill

M C Lynas

M Pashley

S M D Oliver

P R M Kavanagh

M Leigh

F W Cieslik

(Appointed 20 September 2007)

R A James acted as an alternate for W S Benjamin

M Leigh acts as an alternate for P M Beckwith

THE AMBASSADOR THEATRE GROUP LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

Business review and principal activities

The principal activity of the company continued to be that of managing a group of companies operating theatres and producing theatrical productions

The trading environment, in common with other economic sectors continues to be challenging with increasing competition between theatres in London with musicals increasingly dominating the market

The group's long term strategy is to continue to develop its existing theatres and acquire profitable venues as and when they become available, and to enhance its producing activity such as that undertaken by First Family Entertainment LLP, a partnership with Live Nation (UK) Ltd which had nine productions in December 2006. The investment in production activity expanded further internationally during the year and the group opened a production office in New York in the summer of 2007

The group sold its shareholding in The Ambassadors Theatre Ltd on 31st March, which owns the New Ambassadors Theatre in London, at a profit of £646k

The results for the year and the financial position at the year end were considered satisfactory by the directors

Key performance indicators

The company considers its key performance indicators to be

1) Sales growth, particularly with respect to pantomimes which are a major factor in the performance of the group's regional venues and which led to the group's involvement in First Family Entertainment LLP. Revenue in relation to pantomimes increased by over £600k on the previous year. Overall turnover at £64M is in line with 2006 in spite of the closure of Guys and Dolls at the Piccadilly Theatre in London which had been a major contributor in 2006

2) Gross margin improved from £34M (53%) in 2006 to £35M (54%) in 2007

3) Net profit growth - profit before taxation at £1.6M in 2007 was almost £200k ahead of 2006, the main factors being the benefits of the company bringing its ticketing operation 'in-house', the sale of The Ambassadors Theatre Ltd and the further improvement in regional venues, notably the New Wimbledon Theatre

Principal risks and uncertainties

The trading environment in London with its high concentration of venues continues to be very competitive and the company is sensitive to general economic trends. As with other areas of the economy there is an ongoing potential threat from terrorism

The company's borrowings mean that there is a certain level of exposure to increases in interest rates though this is partially mitigated by an interest rate swap that is in place for part of the loan

THE AMBASSADOR THEATRE GROUP LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

Environment

The company recognises the importance of its environmental responsibilities and monitors its impact on the environment and designs and implements appropriate policies to minimise any damage that might be caused by the company's activities. Initiatives designed to minimise the company's impact on the environment include recycling and reducing energy consumption wherever possible.

Results

The consolidated profit and loss account for the year is set out on pages 7 to 8.

Market value of land and buildings

The net book value of the Group's land and buildings as at 30 September 2007 was £17.8M. During the year ended 30th September 1999 a formal independent valuation of the land and buildings then owned by the Group stated that the market value of such land and buildings exceeded the then net book value by £7.7M. No formal valuations have been carried out since 1999 but based on an informal independent valuation of the land and buildings carried out in January 2007 the directors believe the market value of such land and buildings exceed the net book valuation by £34.2M, including £5M being the Group's share of the Playhouse and Savoy Theatres.

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Disabled persons

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to

- settle the terms of payment with suppliers when agreeing the terms of each transaction,
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts, and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 33 (2006- 31) days' purchases.

Auditors

Saffery Champness have expressed their willingness to remain in office as auditors of the company.

THE AMBASSADOR THEATRE GROUP LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

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 affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then 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 group 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 the group and to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

On behalf of the board



H J Enright

Director

18/6/2008

THE AMBASSADOR THEATRE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE AMBASSADOR THEATRE GROUP LIMITED

We have audited the financial statements of The Ambassador Theatre Group Limited on pages 7 to 32 for the year ended 30 September 2007. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 International Standards on Auditing (UK and Ireland) 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 and the group'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.

THE AMBASSADOR THEATRE GROUP LIMITED

**INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF THE AMBASSADOR THEATRE GROUP LIMITED**

Opinion

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 30 September 2007 and of the group's profit for the year then ended, and

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the directors' report is consistent with the financial statements


Saffery Champness

Chartered Accountants
Registered Auditors

18/6/08

Lion House
Red Lion Street
London
WC1R 4GB

THE AMBASSADOR THEATRE GROUP LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	Notes	2007 £	2006 £
Turnover including share of associates and joint ventures		68,579,083	68,160,262
Less share of turnover of joint ventures		(4,466,286)	(3,428,378)
Group turnover	2	64,112,797	64,731,884
Cost of sales		(29,504,794)	(30,652,999)
Gross profit		34,608,003	34,078,885
Administrative expenses		(35,097,330)	(33,235,923)
Other operating income		1,068,590	856,463
Operating profit	3	579,263	1,699,425
Share of operating profit in joint ventures		273,814	(14,485)
Investment income	4	646,019	-
Other interest receivable and similar income of the group		430,231	186,044
Share of joint ventures other interest receivable and similar income		50,650	14,906
Interest payable and similar charges of the group	5	(322,152)	(459,856)
Share of joint ventures interest payable and similar charges	5	(96,320)	(56,041)
Profit on ordinary activities before taxation		1,561,505	1,369,993
Tax on profit on ordinary activities	6	(607,216)	(678,368)
Profit for the year		954,289	691,625

THE AMBASSADOR THEATRE GROUP LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

The above tax charge relates to the
following

Group	477,089	678,368
Joint ventures	130,127	-
	<u>607,216</u>	<u>678,368</u>

THE AMBASSADOR THEATRE GROUP LIMITED

BALANCE SHEETS

AS AT 30 SEPTEMBER 2007

		Group		Company	
	Notes	2007	2006	2007	2006
		£	£	£	£
Fixed assets					
Intangible assets	9	4,298,073	4,636,401	-	-
Tangible assets	10	23,526,292	24,497,785	903,141	429,807
Investments	11	-	-	10,350,404	11,905,982
Investments in joint ventures					
- Share of gross assets		7,256,466	6,460,301	-	-
- Share of gross liabilities		(5,888,214)	(5,549,432)	-	-
		<u>1,368,252</u>	<u>910,869</u>	<u>-</u>	<u>-</u>
		<u>29,192,617</u>	<u>30,045,055</u>	<u>11,253,545</u>	<u>12,335,789</u>
Current assets					
Stocks	12	259,077	208,727	-	-
Debtors	13	7,429,066	7,107,442	27,983,897	26,109,662
Investments	14	1,131,684	1,163,761	1,131,684	1,163,761
Cash at bank and in hand		<u>11,257,467</u>	<u>5,836,279</u>	<u>9,410,416</u>	<u>3,335,316</u>
		<u>20,077,294</u>	<u>14,316,209</u>	<u>38,525,997</u>	<u>30,608,739</u>
Creditors: amounts falling due within one year	15	<u>(25,838,988)</u>	<u>(20,929,042)</u>	<u>(19,666,352)</u>	<u>(12,339,744)</u>
Net current liabilities		<u>(5,761,694)</u>	<u>(6,612,833)</u>	<u>18,859,645</u>	<u>18,268,995</u>
Total assets less current liabilities		<u>23,430,923</u>	<u>23,432,222</u>	<u>30,113,190</u>	<u>30,604,784</u>
Creditors: amounts falling due after more than one year	16	<u>(4,373,000)</u>	<u>(4,901,000)</u>	<u>(4,125,000)</u>	<u>(4,625,000)</u>
Provisions for liabilities and charges	17	<u>(108,829)</u>	<u>(12,010)</u>	<u>(16,758)</u>	<u>(3,224)</u>
Accruals and deferred income	18	<u>(172,500)</u>	<u>(207,000)</u>	<u>-</u>	<u>-</u>
		<u>18,776,594</u>	<u>18,312,212</u>	<u>25,971,432</u>	<u>25,976,560</u>
Capital and reserves					
Called up share capital	20	9,798,138	9,798,138	9,798,138	9,798,138
Share premium account	21	11,373,668	11,373,668	11,373,668	11,373,668
Profit and loss account	21	<u>(2,395,212)</u>	<u>(2,859,594)</u>	<u>4,799,626</u>	<u>4,804,754</u>
Shareholders' funds - equity interests	22	<u>18,776,594</u>	<u>18,312,212</u>	<u>25,971,432</u>	<u>25,976,560</u>

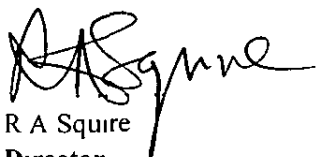
THE AMBASSADOR THEATRE GROUP LIMITED

BALANCE SHEETS (continued)
AS AT 30 SEPTEMBER 2007

The notes on pages 12 to 32 form part of these financial statements

The financial statements were approved by the board on *18th June 2008*


H J Enright
Director


R A Squire
Director

THE AMBASSADOR THEATRE GROUP LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	Notes	2007 £	2006 £
Net cash inflow/(outflow) from operating activities	28	7,095,530	(584,365)
Returns on investments and servicing of finance			
Interest received	480,881	200,950	
Interest paid	(418,472)	(493,295)	
Net cash inflow/(outflow) for returns on investments and servicing of finance		62,409	(292,345)
Taxation		(888,394)	(78,201)
Capital expenditure and financial investment			
Payments to acquire tangible assets	(2,328,939)	(1,017,002)	
Payments to acquire investments	(362,366)	(400,050)	
Receipts from sales of tangible assets	-	542,428	
Net cash outflow for capital expenditure		(2,691,305)	(874,624)
Acquisitions and disposals			
Sale of subsidiary undertakings (net of cash acquired)	2,331,921	-	
Net cash inflow/(outflow) for acquisitions and disposals		2,331,921	-
Equity dividends paid		(489,907)	-
Net cash inflow/(outflow) before management of liquid resources and financing		5,420,254	(1,829,535)
Financing			
New long term bank loan	-	5,375,000	
Repayment of long term bank loan	(500,000)	(250,000)	
Repayment of other long term loans	(12,000)	(12,000)	
Repayment of other short term loans	-	(2,550,000)	
Net cash (outflow)/inflow from financing		(512,000)	2,563,000
Increase in cash in the year	29, 30	4,908,254	733,465

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 30 September 2007. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Joint ventures

Joint ventures are accounted for using the gross equity method of accounting. Whilst The Ambassador Theatre Group Limited owns a 50% share in Porgy & Bess Limited (the producer of the show Porgy & Bess), the substance of this transaction is that the company is an investment vehicle, in which The Ambassador Theatre Group Limited committed to 13.8%. Therefore the company has not used the gross equity method of accounting for this investment.

1.5 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.6 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life. In the directors' opinion, the estimated useful economic life of goodwill is between 10 and 20 years.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	50 years on freehold property
Land and buildings Leasehold	Term of the lease
Plant and machinery	Over 4 to 10 years
Fixtures, fittings & equipment	Over 4 to 10 years

1.8 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

1 Accounting policies (continued)

1.9 Investments

Fixed asset investments are stated at cost less provision for diminution in value

Current asset investments, being investment in shows, are stated at the lower of cost and net realisable value

1.10 Stock

Stock is valued at the lower of cost and net realisable value

1.11 Pensions

The company 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.

The group also contributes to a defined benefit scheme. The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings.

1.12 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.13 Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit	2007 £	2006 £
Operating profit is stated after charging		
Depreciation of intangible assets	338,328	338,328
Depreciation of tangible assets	1,466,628	1,340,742
Operating lease rentals	369,997	407,661
Fees payable to the group's auditor for the audit of the annual accounts of the group (company £4,000, 2006 £4,000)	56,706	56,426
Fees payable to the group's auditor for other taxation services (company £28,950, 2006 £3,500)	57,450	28,250

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

4	Investment income	2007	2006
		£	£
	Profit on disposal of subsidiary undertaking	646,019	-
		<u>646,019</u>	<u>-</u>
5	Interest payable	2007	2006
		£	£
	On bank loans and overdrafts for the group	322,152	459,856
	Share of joint ventures interest payable on bank loans and overdrafts	96,320	56,041
		<u>418,472</u>	<u>515,897</u>
6	Taxation	2007	2006
		£	£
	Domestic current year tax		
	U K corporation tax	510,397	578,493
	Adjustment for prior years	-	(37,754)
		<u>510,397</u>	<u>540,739</u>
	Current tax charge	510,397	540,739
	Deferred tax		
	Deferred tax charge/(credit)	96,819	137,629
		<u>96,819</u>	<u>137,629</u>
		<u>607,216</u>	<u>678,368</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	1,561,505	1,369,993
		<u>1,561,505</u>	<u>1,369,993</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 30.00%)	468,452	410,998
		<u>468,452</u>	<u>410,998</u>
	Effects of		
	Non deductible expenses	26,844	46,288
	Depreciation and amortisation add back	451,037	396,216
	Capital allowances	(291,618)	(270,789)
	Tax losses utilised	(66,400)	(47,657)
	Adjustments to previous periods	-	(37,754)
	Other tax adjustments	(77,918)	43,437
		<u>41,945</u>	<u>129,741</u>
		<u>510,397</u>	<u>540,739</u>
	Current tax charge	510,397	540,739

THE AMBASSADOR THEATRE GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
FOR THE YEAR ENDED 30 SEPTEMBER 2007

7 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial year is made up as follows

	2007 £	2006 £
Holding company's profit for the financial year	484,779	662,626

8 Dividends

	2007 £	2006 £
Ordinary interim approved	489,907	244,953

9 Intangible fixed assets
Group

	Goodwill £
Cost	
At 1 October 2006 & at 30 September 2007	6,703,801
Amortisation	
At 1 October 2006	2,067,400
Charge for the year	338,328
At 30 September 2007	2,405,728
Net book value	
At 30 September 2007	4,298,073
At 30 September 2006	4,636,401

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007

10 Tangible fixed assets
Group

	Land and buildings Freehold £	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost					
At 1 October 2006	17,979,037	5,445,150	633,597	7,498,981	31,556,765
Additions	3,500	-	502,851	1,822,588	2,328,939
Disposals	(1,933,101)	-	-	(236,125)	(2,169,226)
At 30 September 2007	16,049,436	5,445,150	1,136,448	9,085,444	31,716,478
Depreciation					
At 1 October 2006	1,694,524	1,791,936	384,931	3,187,589	7,058,980
On disposals	(216,906)	-	-	(118,516)	(335,422)
Charge for the year	194,118	261,905	65,963	944,642	1,466,628
At 30 September 2007	1,671,736	2,053,841	450,894	4,013,715	8,190,186
Net book value					
At 30 September 2007	14,377,700	3,391,309	685,554	5,071,729	23,526,292
At 30 September 2006	16,284,513	3,653,214	248,666	4,311,392	24,497,785

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

10 Tangible fixed assets (continued)

Company

	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 October 2006	56,901	633,597	577,233	1,267,731
Additions	-	502,851	154,923	657,774
At 30 September 2007	<u>56,901</u>	<u>1,136,448</u>	<u>732,156</u>	<u>1,925,505</u>
Depreciation				
At 1 October 2006	22,204	384,931	430,789	837,924
Charge for the year	2,805	65,963	115,672	184,440
At 30 September 2007	<u>25,009</u>	<u>450,894</u>	<u>546,461</u>	<u>1,022,364</u>
Net book value				
At 30 September 2007	<u>31,892</u>	<u>685,554</u>	<u>185,695</u>	<u>903,141</u>
At 30 September 2006	<u>34,697</u>	<u>248,666</u>	<u>146,444</u>	<u>429,807</u>

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

11 Fixed asset investments

Company

	Shares in participating interests	Shares in subsidiary undertakings	Loans in subsidiary undertakings	Total
	£	£	£	£
Cost				
At 1 October 2006	1,518,256	7,119,782	3,267,944	11,905,982
Additions	360,000	2,366	-	362,366
Disposal	-	-	(1,917,944)	(1,917,944)
	<u>1,878,256</u>	<u>7,122,148</u>	<u>1,350,000</u>	<u>10,350,404</u>
At 30 September 2007				
	<u>1,878,256</u>	<u>7,122,148</u>	<u>1,350,000</u>	<u>10,350,404</u>
Net book value				
At 30 September 2007	<u>1,878,256</u>	<u>7,122,148</u>	<u>1,350,000</u>	<u>10,350,404</u>
At 30 September 2006	<u>1,518,256</u>	<u>7,119,782</u>	<u>3,267,944</u>	<u>11,905,982</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet

THE AMBASSADOR THEATRE GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007****11 Fixed asset investments****(continued)****Holdings of more than 20%**

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
The Duke of York's Theatre Limited	England and Wales	Ordinary	100
Woking Turnstyle Limited	England and Wales	Ordinary	100
Milton Keynes Theatre Limited	England and Wales	Ordinary	100
Stoke-on-Trent Theatres Limited	England and Wales	Ordinary	100
Theatre Royal Brighton Limited	England and Wales	Ordinary	100
ATG London Limited	England and Wales	Ordinary	100
Churchill Theatre Bromley Limited	England and Wales	Ordinary	100
Richmond Theatre Limited	England and Wales	Ordinary	100
Comedy Theatre Limited	England and Wales	Ordinary	100
Donmar Warehouse Theatre Limited	England and Wales	Ordinary	100
Albery and Wyndham's Theatres Limited	England and Wales	Ordinary	100
Whitehall Theatre Limited	England and Wales	Ordinary	100
Smart Plays Limited	England and Wales	Ordinary	100
ATG Management Limited	England and Wales	Ordinary	100
Sonia Friedman Productions Limited	England and Wales	Ordinary	100
Glasgow Theatres Limited	England and Wales	Ordinary	100
Piccadilly Theatre Limited	England and Wales	Ordinary	100
Phoenix Theatre Limited	England and Wales	Ordinary	100
New Wimbledon Theatre Limited	England and Wales	Ordinary	100
Natural Nylon Theatre Company Limited	England and Wales	Ordinary	100
Highland Fling Japan Limited	England and Wales	Ordinary	100
Screenstage Productions Limited	England and Wales	Ordinary	100
Brighton Theatre Limited	England and Wales	Ordinary	100
Ambassador Theatre Group New York Inc	USA	Ordinary	100

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

11 Fixed asset investments (continued)

Participating interests

ScreenStage Limited	England and Wales	Ordinary	50
Trademark Theatre Company Limited	England and Wales	Ordinary	50
Maidstone Productions (Playhouse) Limited	England and Wales	Ordinary	50
First Family Entertainment LLP	England and Wales	Not applicable	50
Milton Keynes Theatre Productions Limited	England and Wales	Ordinary	20
Maidstone Productions (Savoy) Limited	England and Wales	Ordinary	50
Savoy Theatre Holdings Limited	England and Wales	Ordinary	50
Savoy Theatre Limited	England and Wales	Ordinary	50
Porgy and Bess Limited	England and Wales	Ordinary	50
Richmond Theatre Productions Limited	England and Wales	Ordinary	20

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

11 Fixed asset investments

(continued)

The principal activity of these undertakings for the last relevant financial year was as follows

	Principal activity
The Duke of York's Theatre Limited	Theatre operator
Woking Turnstyle Limited	Theatre operator
Milton Keynes Theatre Limited	Theatre operator
Stoke-on-Trent Theatres Limited	Theatre operator
Theatre Royal Brighton Limited	Theatre operator
ATG London Limited	Theatre operator
Churchill Theatre Bromley Limited	Theatre operator
Richmond Theatre Limited	Theatre operator
Comedy Theatre Limited	Dormant
Donmar Warehouse Theatre Limited	Dormant
Albery and Wyndham's Theatres Limited	Dormant
Whitehall Theatre Limited	Dormant
Smart Plays Limited	Production company
ATG Management Limited	Production company
Sonia Friedman Productions Limited	Production company
Glasgow Theatres Limited	Theatre operator
Piccadilly Theatre Limited	Dormant
Phoenix Theatre Limited	Dormant
New Wimbledon Theatre Limited	Theatre operator
ScreenStage Limited	Production company
Trademark Theatre Company Limited	Production company
Maidstone Productions (Playhouse) Limited	Theatre operator
First Family Entertainment LLP	Production partnership
Milton Keynes Theatre Productions Limited	Production company
Maidstone Productions (Savoy) Limited	Holding company
Savoy Theatre Holdings Limited	Dormant
Savoy Theatre Limited	Theatre operator
Porgy and Bess Limited	Production company
Richmond Theatre Productions Limited	Production company
Natural Nylon Theatre Company Limited	Production company
Highland Fling Japan Limited	Production company
Screenstage Productions Limited	Dormant
Brighton Theatre Limited	Dormant
Ambassador Theatre Group New York Inc	Production company

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

11 Fixed asset investments (continued)

Additional disclosures required for joint ventures exceeding the 15% threshold as defined by FRS 9

	£	£
Share of assets		
Fixed assets	5,366,472	
Current assets	<u>1,827,728</u>	
		7,194,200
Share of liabilities		
Due within on year or less	(3,456,296)	
Due after more than one year	<u>(2,431,918)</u>	
		<u>(5,888,214)</u>
		<u>1,305,986</u>

12 Stocks

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Finished goods and goods for resale	<u>259,077</u>	<u>208,727</u>	<u>-</u>	<u>-</u>

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

13 Debtors

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	1,482,870	1,849,164	70,098	53,277
Amounts owed by group undertakings	-	-	27,021,871	25,421,284
Amounts owed by participating interests	3,099,163	2,421,498	287,821	189,597
Corporation tax	-	-	175,132	-
Other debtors	1,212,542	1,128,652	147,043	257,632
Prepayments and accrued income	1,634,491	1,708,128	281,932	187,872
	<u>7,429,066</u>	<u>7,107,442</u>	<u>27,983,897</u>	<u>26,109,662</u>

Amounts falling due after more than one year and included in the debtors above are

	2007	2006	2007	2006
	£	£	£	£
Amounts owed by group undertakings	<u>-</u>	<u>-</u>	<u>13,599,967</u>	<u>13,599,967</u>

14 Current asset investments

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Other unlisted investments	<u>1,131,684</u>	<u>1,163,761</u>	<u>1,131,684</u>	<u>1,163,761</u>

Current asset investments represent investments in shows

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007

15 Creditors, amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans and overdrafts	2,222,312	1,709,379	1,597,219	981,831
Trade creditors	2,701,435	2,562,878	775,997	658,063
Amounts owed to group undertakings	-	-	14,979,846	8,200,327
Amounts owed to participating interests	27,263	50	-	-
Corporation tax	185,897	563,894	-	14,406
Other taxes and social security costs	1,432,476	2,049,020	801,539	1,431,590
Other creditors	1,130,153	784,702	168,900	139,673
Accruals and deferred income	17,894,498	13,014,166	1,097,897	668,901
Proposed dividend	244,954	244,953	244,954	244,953
	<u>25,838,988</u>	<u>20,929,042</u>	<u>19,666,352</u>	<u>12,339,744</u>

The bank loan and overdrafts are secured by a debenture over the whole of the assets of the company and its subsidiary undertakings

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

16 Creditors : amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans	4,125,000	4,625,000	4,125,000	4,625,000
Other loans	248,000	276,000	-	-
	<u>4,373,000</u>	<u>4,901,000</u>	<u>4,125,000</u>	<u>4,625,000</u>

Analysis of loans

Not wholly repayable within five years by instalments

Other loan	2,539,000	2,607,000	2,500,000	2,500,000
Wholly repayable within five years	2,362,000	2,806,000	2,125,000	2,625,000

	4,901,000	5,413,000	4,625,000	5,125,000
Included in current liabilities	<u>(528,000)</u>	<u>(512,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>
	<u>4,373,000</u>	<u>4,901,000</u>	<u>4,125,000</u>	<u>4,625,000</u>

Loan maturity analysis

In more than one year but not more than two years

In more than two years but not more than five years

In more than five years

	537,000	528,000	500,000	500,000
	1,672,000	1,641,000	1,500,000	1,500,000
	<u>2,164,000</u>	<u>2,732,000</u>	<u>2,125,000</u>	<u>2,625,000</u>

The bank loan is secured by a debenture over the whole of the assets of the company and its subsidiary undertakings

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

17 Provisions for liabilities and charges

Group	Deferred taxation £
Balance at 1 October 2006	12,010
Profit and loss account	96,819
	<u>108,829</u>
Balance at 30 September 2007	<u>108,829</u>
Company	
Balance at 1 October 2006	3,224
Profit and loss account	13,534
	<u>16,758</u>
Balance at 30 September 2007	<u>16,758</u>

The deferred tax liability is made up as follows:

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Accelerated capital allowances	284,011	273,216	16,758	3,224
Tax losses available	(175,182)	(261,206)	-	-
	<u>108,829</u>	<u>12,010</u>	<u>16,758</u>	<u>3,224</u>

18 Accruals and deferred income

Group	Government grants £
Balance at 1 October 2006	207,000
Amortisation in the year	(34,500)
	<u>172,500</u>
Balance at 30 September 2007	<u>172,500</u>

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

19 Pension costs

Defined contribution and defined benefit

	2007	2006
	£	£
Contributions payable by the company for the year	<u>396,057</u>	<u>301,875</u>

20 Share capital

	2007	2006
	£	£
Authorised		
10,500,000 Ordinary shares of £1 each	<u>10,500,000</u>	<u>10,500,000</u>
Allotted, called up and fully paid		
9,798,138 Ordinary shares of £1 each	<u>9,798,138</u>	<u>9,798,138</u>

The company has a share option scheme under which two options for 163,400 £1 ordinary shares at £1 35 per share exist. At the year end date, none of the options had been exercised.

THE AMBASSADOR THEATRE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

21 Statement of movements on reserves
Group

	Share premium account £	Profit and loss account £
Balance at 1 October 2006	11,373,668	(2,859,594)
Profit for the year	-	954,289
Dividends	-	(489,907)
	<u>11,373,668</u>	<u>(2,395,212)</u>
Balance at 30 September 2007	<u>11,373,668</u>	<u>(2,395,212)</u>

Company

	Share premium account £	Profit and loss account £
Balance at 1 October 2006	11,373,668	4,804,754
Retained loss for the year	-	(5,128)
	<u>11,373,668</u>	<u>4,799,626</u>
Balance at 30 September 2007	<u>11,373,668</u>	<u>4,799,626</u>

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

22 Reconciliation of movements in shareholders' funds		2007	2006
Group		£	£
Profit for the financial year		954,289	691,625
Dividends		(489,907)	(244,953)
Net addition to shareholders' funds		464,382	446,672
Opening shareholders' funds		18,312,212	17,865,540
Closing shareholders' funds		18,776,594	18,312,212
Company		2007	2006
		£	£
Profit for the financial year		484,779	662,626
Dividends		(489,907)	(244,953)
Net (depletion in)/addition to shareholders' funds		(5,128)	417,673
Opening shareholders' funds		25,976,560	25,558,887
Closing shareholders' funds		25,971,432	25,976,560

23 Financial commitments

At 30 September 2007 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Expiry date				
In over five years	247,500	270,720	-	-

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

24 Directors' emoluments	2007 £	2006 £
Emoluments for qualifying services	1,411,375	1,091,838
Company pension contributions to money purchase schemes	158,041	100,683
	<u>1,569,416</u>	<u>1,192,521</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 6 (2006- 5)

Emoluments disclosed above include the following amounts paid to the highest paid director

Emoluments for qualifying services	384,532	386,483
Company pension contributions to money purchase schemes	<u>41,525</u>	<u>36,481</u>

25 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2007 Number	2006 Number
Administration and management	<u>1,095</u>	<u>1,122</u>

Employment costs

	2007 £	2006 £
Wages and salaries	16,836,501	15,572,018
Social security costs	1,607,558	1,490,398
Other pension costs	<u>396,057</u>	<u>301,875</u>
	<u>18,840,116</u>	<u>17,364,291</u>

26 Control

The company has no ultimate controlling party

THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 SEPTEMBER 2007

27 Related party transactions

Group

R A Squire and C A Smith are directors of Donmar Warehouse Projects Limited. During the year, the group collected box office receipts of £1,253,075 (2006 - £1,348,546) on behalf of Donmar Warehouse Projects Limited and recharged productions costs of £1,228,425 (2006 - £971,140) to that company. In addition, the group paid salary costs of £356,572 (2006 - £351,374) on behalf of Donmar Warehouse Projects Limited, which were recharged to that company.

28 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2007	2006
	£	£
Operating profit	853,077	1,684,940
Depreciation of tangible assets	1,466,628	1,340,742
Amortisation of intangible assets	338,328	338,328
Profit on disposal of tangible assets	-	(44,025)
Increase in stocks	(50,350)	(17,308)
Increase in debtors	(321,624)	(2,685,901)
Increase in investment in shows	32,077	(171,477)
Increase/(decrease) in creditors within one year	4,811,894	(771,186)
Movement on grant provision	(34,500)	(34,500)
Net cash inflow/(outflow) from operating activities	7,095,530	(360,387)

29 Analysis of net funds	1 October 2006	Cash flow	Other non-cash changes	30 September 2007
	£	£	£	£
Net cash				
Cash at bank and in hand	5,836,279	5,421,188	-	11,257,467
Bank overdrafts	(1,209,379)	(512,934)	-	(1,722,313)
	<u>4,626,900</u>	<u>4,908,254</u>	<u>-</u>	<u>9,535,154</u>
Debts falling due within one year	(512,000)	(16,000)	-	(528,000)
Debts falling due after one year	(4,901,000)	528,000	-	(4,373,000)
	<u>(5,413,000)</u>	<u>512,000</u>	<u>-</u>	<u>(4,901,000)</u>
Net funds	(786,100)	5,420,254	-	4,634,154

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THE AMBASSADOR THEATRE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2007

30 Reconciliation of net cash flow to movement in net funds	2007	2006
	£	£
Increase in cash in the year	4,908,254	957,444
Cash outflow/(inflow) from decrease/(increase) in debt	512,000	(2,563,000)
	<u> </u>	<u> </u>
Movement in net funds in the year	5,420,254	(1,605,556)
Opening net funds	(786,100)	819,456
	<u> </u>	<u> </u>
Closing net funds	4,634,154	(786,100)
	<u> </u>	<u> </u>