

**AVALON TELEVISION LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2001**



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# **AVALON TELEVISION LIMITED**

## **COMPANY INFORMATION**

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### **DIRECTORS**

J M Thoday  
R Allen-Turner  
L Tucker  
A J Spring  
J R Gregory

### **SECRETARY**

R Allen-Turner

### **COMPANY NUMBER**

2856604

### **REGISTERED OFFICE**

4a Exmoor Street  
London  
W10 6BD

### **AUDITORS**

MGI Midgley Snelling  
Brettenham House  
Lancaster Place  
London  
WC2E 7EW

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# **AVALON TELEVISION LIMITED**

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**AVALON TELEVISION LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

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The directors present their report and the audited financial statements for the year ended 30th June 2001.

**PRINCIPAL ACTIVITY**

The company's principal activity continued to be that of the development and production of television and film projects.

**RESULTS AND DIVIDENDS**

The results for the year are set out in the profit and loss account on page 4.

The directors consider the profit achieved on ordinary activities before taxation to be satisfactory and are optimistic about the company's future.

The directors do not recommend a dividend.

**DIRECTORS**

The directors who held office during the year and their beneficial interests in the company's issued ordinary share capital are given below:

	At 30th June 2001	At 1st July 2000
J M Thoday	80	80
R Allen-Turner	20	20
C Jones (Resigned 31st August 2001)	-	-
L Tucker	-	-
S Geater (Resigned 1st September 2000)	-	-

Subsequent to the balance sheet date the following directors were appointed:-

A J Spring (Appointed 20th August 2001)  
J R Gregory (Appointed 3rd September 2001)

# AVALON TELEVISION LIMITED

## DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2001

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### 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 company's affairs and of the profit or loss for that year. 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 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 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

A resolution to re-appoint MGI Midgley Snelling Chartered Accountants as auditors will be put to the members at the Annual General Meeting.

This report was approved by the board and signed on its behalf by:

R Allen-Turner, Secretary

Date:

*R Allen-Turner*  
30 April 2002

# **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AVALON TELEVISION LIMITED**

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We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

## **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 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 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 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 the 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 June 2001 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*MGI Midgley Snelling*

**MGI Midgley Snelling  
Chartered Accountants and  
Registered Auditors**

**Brettenham House  
Lancaster Place  
London  
WC2E 7EW**

**Date:** *1 May 2002*

**AVALON TELEVISION LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

	Notes	Year ended 30 June 2001 £	9 months ended 30 June 2000 £
<b>TURNOVER</b>	2	11,939,199	9,051,445
Cost of sales		(11,405,532)	(8,651,086)
<b>GROSS PROFIT</b>		533,667	400,359
Administrative expenses		(352,505)	(377,955)
Interest receivable		7,308	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		188,470	22,404
Tax on profit on ordinary activities	5	(62,027)	(4,700)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		126,443	17,704
<b>RETAINED PROFIT/(LOSS) BROUGHT FORWARD</b>		16,623	(1,081)
<b>RETAINED PROFIT CARRIED FORWARD</b>		143,066	16,623

All amounts relate to continuing activities.

There were no recognised gains or losses for 2001 or 2000 other than those included in the profit and loss account.

# AVALON TELEVISION LIMITED

## BALANCE SHEET

AS AT 30TH JUNE 2001

	Notes	£	2001 £	£	2000 £
<b>FIXED ASSETS</b>					
Tangible assets	6		18,467		32,411
Investments	7		51		-
			<u>18,518</u>		<u>32,411</u>
<b>CURRENT ASSETS</b>					
Work-in-progress		30,368		54,703	
Debtors	8	349,931		3,617,381	
Cash at bank and in hand	9	1,703,783		2,042,289	
		<u>2,084,082</u>		<u>5,714,373</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	10	<u>(1,959,434)</u>		<u>(5,730,061)</u>	
<b>NET CURRENT ASSETS</b>			<u>124,648</u>		<u>(15,688)</u>
<b>NET ASSETS</b>			<u>143,166</u>		<u>16,723</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	11		100		100
Profit and loss account			143,066		16,623
<b>SHAREHOLDERS' FUNDS</b>	12		<u>143,166</u>		<u>16,723</u>

These financial statements were approved by the board on 30 April 2002 and signed on its behalf by:

**J M Thoday**  
Director

**L Tucker**  
Director



# AVALON TELEVISION LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30TH JUNE 2001

	Notes	Year ended 30 June 2001 £	9 months ended 30 June 2000 £
<b>RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>			
Operating profit		181,162	22,404
Depreciation		13,944	10,457
Decrease in work-in-progress		24,335	232,121
Decrease/Increase in debtors		3,267,450	(3,156,008)
Decrease/Increase in creditors		(3,826,177)	3,601,805
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>(339,286)</b>	<b>710,779</b>
<b>CASH FLOW STATEMENT</b>			
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>		<b>(339,286)</b>	<b>710,779</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	13	7,308	-
<b>TAXATION</b>		(6,477)	(16,750)
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>	13	(51)	(4,143)
<b>DECREASE IN CASH</b>		<b>(338,506)</b>	<b>689,886</b>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH</b>			
<b>DECREASE IN CASH IN THE YEAR</b>		<b>(338,506)</b>	<b>689,886</b>
<b>NET CASH AT 1ST JULY 2000</b>	14	<b>2,042,289</b>	<b>1,352,403</b>
<b>NET FUNDS AT 30TH JUNE 2001</b>		<b>1,703,783</b>	<b>2,042,289</b>

**AVALON TELEVISION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

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**1 ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

**Consolidation**

The financial statements contain information about Avalon Television Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a medium group.

**Turnover**

Turnover comprises the value of sales excluding value added tax.

**Tangible fixed assets and depreciation**

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Computer equipment	25% on cost
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**Investments**

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

**Work-in-progress**

Work-in-progress represents development and pre-production expenditure incurred by the company in relation to specific projects.

Development and pre-production expenditure on a specific project is written off to the profit and loss account when a project is taken into production or when it is not expected to progress to production within the foreseeable future.

**Advances**

The company receives advances to finance specific projects which are treated as current liabilities. The company takes these advances to the credit of the profit and loss account when the project is taken into production or when it is not expected to progress to production within the foreseeable future.

**2 TURNOVER**

The turnover was derived from the company's principal activity, namely the development and production of television and film projects.

**AVALON TELEVISION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

**3 OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

*The operating profit is stated after charging or crediting:*

	Year ended 30 June 2001	9 months ended 30 June 2000
	£	£
Depreciation of tangible fixed assets		
- owned assets	13,944	10,457
Auditors' remuneration	6,000	4,000

**4 DIRECTORS AND EMPLOYEES**

Staff costs, including directors' remuneration, were as follows:

	Year ended 30 June 2001	9 months ended 30 June 2000
	£	£
Wages and salaries	755,220	678,324
Social security costs	76,939	68,068
	832,159	746,392

The average monthly number of employees, including directors, during the year was as follows:

	2001 Number	2000 Number
Administration	3	4
Production	16	14
	19	18

Directors' emoluments

	Year ended 30 June 2001	9 months ended 30 June 2000
	£	£
Aggregate emoluments	70,462	127,113

**5 TAXATION**

	Year ended 30 June 2001	9 months ended 30 June 2000
	£	£
UK corporation tax	59,000	4,700
(Over)/Under provision re previous years	3,027	-
	62,027	4,700

**AVALON TELEVISION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2001**

**6 TANGIBLE FIXED ASSETS**

	Computer equipment £
<b>Cost</b>	
At 1st July 2000	55,776
<b>At 30th June 2001</b>	<b>55,776</b>
<b>Depreciation</b>	
At 1st July 2000	23,365
Charge for the year	13,944
<b>At 30th June 2001</b>	<b>37,309</b>
<b>Net book value</b>	
<b>At 30th June 2001</b>	<b>18,467</b>
<i>At 30th June 2000</i>	<i>32,411</i>

**7 FIXED ASSET INVESTMENTS**

	Shares in group undertakings £
<b>Cost</b>	
Additions	51
<b>At 30th June 2001</b>	<b>51</b>
<b>Net book value</b>	
<b>At 30th June 2001</b>	<b>51</b>
<i>At 30th June 2000</i>	<i>-</i>

Fixed asset investments represents a 51% investment in Brightwater Productions Limited which develops and produces radio projects. At 30th June 2001 the aggregate amount of share capital and reserves of Brightwater Productions Limited amounted to a deficit of £1,821 and the loss for the year was £1,921.

**8 DEBTORS**

	2001 £	2000 £
Trade debtors	5,333	2,979,435
Other debtors	4,675	71,677
Prepayments and accrued income	339,923	566,269
	<b>349,931</b>	<b>3,617,381</b>

# AVALON TELEVISION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30TH JUNE 2001**

9 CASH AT BANK AND IN HAND	2001 £	2000 £
Amounts held on deposit	2,313,974	-
Less: associated finance lease liabilities	(2,313,974)	-
	<u>-</u>	<u>-</u>
Amounts held in programme production trust accounts	1,611,030	1,987,646
Other cash at bank and in hand	92,753	54,643
	<u>1,703,783</u>	<u>2,042,289</u>

Amounts held on deposit arise as a result of sale and leaseback transactions and comprise monies to provide for the discharge of the future leasing liabilities disclosed above.

During the year the company entered into a sale and finance leaseback of a production. It is the opinion of the directors that this transaction does not dispose of the risks and rewards of the ownership of the production, and as such the transaction is not recognised as a sale and subsequent leaseback.

The directors are recognising the transaction's fees, and associated costs over the useful life of the production, which the directors estimate to be less than 1 year.

The directors have deposited the proceeds from the sale in a trust account with a bank. This bank account may only be used to pay off the lease payments.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2001 £	2000 £
Trade creditors	91,561	1,286,104
Corporation tax	59,000	3,450
Other taxes and social security	30,752	777,592
Other creditors	299,702	1,128,920
Accruals and deferred income	1,478,419	2,533,995
	<u>1,959,434</u>	<u>5,730,061</u>

11 SHARE CAPITAL	2001 £	2000 £
Authorised Equity shares 100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted Equity shares 100 Allotted, called up and fully paid ordinary shares of £1 each	<u>100</u>	<u>100</u>

# AVALON TELEVISION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30TH JUNE 2001

12	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	Year ended 30	9 months ended
		June 2001	30 June 2000
		£	£
	Profit for the financial year	126,443	17,704
	Opening shareholders' funds	16,723	(981)
	Closing shareholders' funds	143,166	16,723
13	GROSS CASH FLOWS	2001	2000
		£	£
	Returns on investments and servicing of finance		
	Interest received	7,308	-
	Capital expenditure and financial investment		
	Payments to acquire tangible fixed assets	-	(4,143)
	Purchase of investments	(51)	-
		(51)	(4,143)
14	ANALYSIS OF CHANGES IN NET CASH	2000	2001
		Cash flows	
		£	£
	Cash at bank and in hand	2,042,289	1,703,783

**AVALON TELEVISION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH JUNE 2001**

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**15 RELATED PARTIES**

The company is controlled by J M Thoday who holds 80% of the company's issued share capital.

J M Thoday, R Allen-Turner, C Jones, A J Spring and J R Gregory are also directors of Avalon Management Group Limited, Avalon Public Relations Limited and Avalon Promotions Limited. J M Thoday has a controlling interest in the share capital of each of these companies. J M Thoday and R Allen-Turner are also directors of Brightwater Productions Limited.

During the year the company had the following transactions with these companies:-

	Sales income received on behalf of Related Party	Management fees received/(paid)	Production expenses received/(paid)
Avalon Management Group Limited		(591,823)	(7,197,154) 136,000
Avalon Promotions Limited			(66,976)
Avalon Public Relations Limited			(92,987)
Brightwater Productions Limited	155,000	2,310	(26,849)

At the balance sheet date the following balances existed:-

	Debtors	Creditors
Avalon Management Group Limited	2,365	223,311
Avalon Promotions Limited		27,994
Brightwater Productions Limited	2,310	48,299