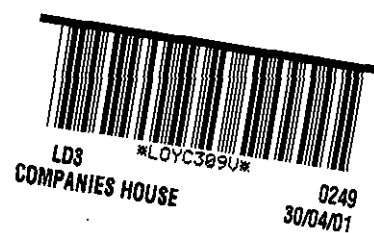


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AVALON TELEVISION LIMITED

FINANCIAL STATEMENTS

FOR THE 9 MONTH PERIOD ENDED 30TH JUNE 2000



AVALON TELEVISION LIMITED

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AVALON TELEVISION LIMITED

COMPANY INFORMATION

DIRECTORS

J M Thoday
R Allen-Turner
C Jones
L Tucker

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

AVALON TELEVISION LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30TH JUNE 2000

The directors present their report together with the audited financial statements for the 9 month period ended 30th June 2000.

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 period 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 served during the period and their beneficial interests in the company's issued share capital were:

	Ordinary Shares	
	30th June 2000	1st October 1999
J M Thoday	80	80
R Allen-Turner	20	20
C Jones	-	-
L Tucker (appointed 1st September 1999)	-	-
S Geater (appointed 23rd August 1999, resigned 1st September 2000)	-	-

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 company's affairs and of the profit or loss for that period. In preparing these 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 accounts;

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.

AVALON TELEVISION LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30TH JUNE 2000

AUDITORS

A resolution to reappoint 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 on *30 April, 2001* , and signed on its behalf by:

A handwritten signature in dark ink, appearing to read 'R Allen-Turner', is written over a horizontal line.

R Allen-Turner, Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF AVALON TELEVISION LIMITED

We have audited the financial statements on pages 4 to 10 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 on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and 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 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 2000 and of its profit for the period 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: *30 April 2001*

AVALON TELEVISION LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE PERIOD 1ST OCTOBER 1999 TO 30TH JUNE 2000**

	Notes	2000 £	1999 £
TURNOVER	2	9,051,445	6,169,524
Cost of Sales		<u>8,651,086</u>	<u>6,022,761</u>
GROSS PROFIT		400,359	146,763
Administrative Expenses		<u>377,955</u>	<u>219,464</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		22,404	(72,701)
Tax on profit/(loss) on ordinary activities	5	<u>4,700</u>	<u>(11,656)</u>
PROFIT/(LOSS) FOR THE FINANCIAL PERIOD		17,704	(61,045)
RETAINED (LOSS)/PROFIT BROUGHT FORWARD		<u>(1,081)</u>	<u>59,964</u>
RETAINED PROFIT/(LOSS) CARRIED FORWARD		<u>16,623</u>	<u>(1,081)</u>

All amounts relate to continuing activities.

There were no recognised gains or losses for 2000 or 1999 other than those included in the profit and loss account.

AVALON TELEVISION LIMITED

BALANCE SHEET

AS AT 30TH JUNE 2000

	Notes	£	2000 £	£	1999 £
FIXED ASSETS					
Tangible assets	6		32,411		38,725
CURRENT ASSETS					
Work-in-progress	7	54,703		286,824	
Debtors	8	3,617,381		461,373	
Cash at bank and in hand	9	2,042,289		1,352,403	
		5,714,373		2,100,600	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	5,730,061		2,140,306	
NET CURRENT LIABILITIES			(15,688)		(39,706)
TOTAL ASSETS LESS CURRENT LIABILITIES			16,723		(981)
CAPITAL AND RESERVES					
Share capital	11		100		100
Profit and loss account			16,623		(1,081)
SHAREHOLDERS' FUNDS	12		16,723		(981)

These financial statements were approved by the board on 30 April, 2001

and signed on its behalf by:

J M Thoday
Director



L Tucker
Director



AVALON TELEVISION LIMITED

CASH FLOW STATEMENT

FOR THE PERIOD 1ST OCTOBER 1999 TO 30TH JUNE 2000

	Notes	2000 £	1999 £
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
Operating profit		22,404	(72,701)
Depreciation		10,457	12,908
Decrease in stocks		232,121	(23,592)
Increase in debtors		(3,156,008)	991,452
Increase in creditors		3,601,805	(192,238)
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u>710,779</u>	<u>715,829</u>
CASH FLOW STATEMENT			
NET CASH INFLOW FROM OPERATING ACTIVITIES		710,779	715,829
TAXATION		(16,750)	8,000
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	13	(4,143)	(51,633)
INCREASE IN CASH		<u>689,886</u>	<u>672,196</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH			
INCREASE IN CASH IN THE PERIOD		689,886	672,196
INCREASE IN NET CASH	14	689,886	672,196
NET CASH AT 1ST OCTOBER 1999		1,352,403	680,207
NET FUNDS AT 30TH JUNE 2000	14	<u>2,042,289</u>	<u>1,352,403</u>

AVALON TELEVISION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2000

1 ACCOUNTING POLICIES

Basis of Accounting

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

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

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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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 production of audio visual materials, which was carried out wholly in the UK.

3 OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The operating profit is arrived at after charging or crediting:

	2000	1999
	£	£
Depreciation of owned assets	10,457	12,908
Auditors' remuneration	4,000	4,000

AVALON TELEVISION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2000

4 DIRECTORS AND EMPLOYEES

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

	2000	1999
	£	£
Wages and salaries	678,324	692,328
Social security costs	68,068	52,890
	<u>746,392</u>	<u>745,218</u>

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

	2000	1999
	Number	Number
Production	14	12
Administration	4	3
	<u>18</u>	<u>15</u>

Directors' emoluments

	2000	1999
	£	£
Emoluments	127,113	56,998

5 TAXATION

	2000	1999
	£	£
UK corporation tax	4,700	-
(Over)/Under provision re previous years	-	(11,656)
	<u>4,700</u>	<u>(11,656)</u>

AVALON TELEVISION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2000

6 TANGIBLE FIXED ASSETS

	Computer Equipment
Cost	£
At 1st October 1999	51,633
Additions	4,143
At 30th June 2000	55,776
Depreciation	
At 1st October 1999	12,908
Charge for the period	10,457
At 30th June 2000	23,365
Net Book Value	
At 30th June 2000	32,411
At 30th September 1999	38,725

7 WORK-IN-PROGRESS	2000	1999
	£	£
Work in progress	54,703	286,824

8 DEBTORS	2000	1999
	£	£
Trade debtors	2,979,435	25,000
Other debtors	71,677	45,534
Prepayments and accrued income	566,269	390,839
	3,617,381	461,373

9 CASH AT BANK AND IN HAND

An amount totalling £1,987,646 (1999: £1,233,915) held on trust for third parties in relation to specific ongoing projects is included in cash at bank and in hand.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2000	1999
	£	£
Payments received on account	-	652,999
Trade creditors	1,286,104	202,791
Corporation tax	3,450	15,500
Other taxes and social security	777,592	95,772
Other creditors	1,128,920	156,166
Accruals and deferred income	2,533,995	1,017,078
	5,730,061	2,140,306

AVALON TELEVISION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30TH JUNE 2000

11	SHARE CAPITAL	2000	1999
		£	£
	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>
12	RECONCILIATION OF SHAREHOLDERS' FUNDS	2000	1999
		£	£
	Profit/(Loss) for the financial period	17,704	(61,045)
	Opening shareholders' funds	(981)	60,064
	Closing shareholders' funds	<u>16,723</u>	<u>(981)</u>
13	GROSS CASH FLOWS	2000	1999
		£	£
	Capital Expenditure and Financial Investment		
	Payments to acquire tangible fixed assets	(4,143)	(51,633)
	Net cash outflow from investing activities	<u>(4,143)</u>	<u>(51,633)</u>
14	ANALYSIS OF CHANGES IN NET CASH	1999	2000
		Cash flows	
		£	£
	Cash at bank and in hand	1,352,403	2,042,289

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 and C Jones are also directors of Avalon Management Group Limited and Avalon Promotions Limited. J M Thoday has a controlling interest in the share capital of both of these companies.

During the year the company invoiced Avalon Management Limited £nil (1999: £97,952). During the year Avalon Management Limited invoiced the company £270,805 (1999: £1,481,293) for production fees, production costs, rent and other administrative expenses, together with a management charge of £50,000. At the year end £2,117,525 (1999: £132,070) was owed to Avalon Management Group Limited.

During the year Avalon Promotions Limited invoiced the company £166,809 (1999: £248,613) for production fees, production costs and publicity costs. At the year end £39,754 (1999: £Nil) was owed to Avalon Promotions Limited.

During the year Avalon Public Relations Limited invoiced the company £171,990 (1999: £Nil). At the year end £42,859 (1999: £nil) was owed to Avalon Public Relations Limited.