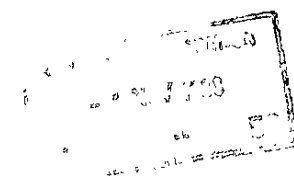


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THE MOVING PICTURE  
COMPANY LIMITED

ACCOUNTS  
for the year ended  
30 September 1987



Coopers  
& Lybrand

THE MOVING PICTURE COMPANY LIMITED

Report of the directors  
for the year ended 30 September 1987

1 The directors present their annual report and the audited accounts for the year ended 30 September 1987.

Activities

2 The main activities of the company are film and videotape production, and the provision of broadcast videotape facilities to the television industry. The company also undertakes leasing of fixed assets to third parties. The directors do not expect any development in the company's business in the year to 30 September 1988 to be significantly different from its present activities.

Results and dividend

3 The trading results for the year are set out in the profit and loss account on page 4. An interim dividend of £204,791 (1986-£370,695) was paid during the year. The directors are recommending a final dividend of £381,005 (1986-£466,378). The retained profit of £110,355 will be transferred to revenue reserves.

Charitable donations

4 The company made charitable donations in the year amounting to £650 (1986-£Nil).

Fixed assets

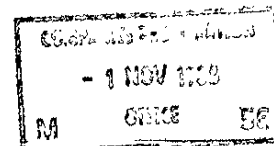
5 The movement in fixed assets during the year is set out in notes 9 and 10 to the accounts.

Directors and their interests

6 The following directors held office during the year under review and at no time have they had any beneficial interest in the shares of the company.

M P Green  
J H Beedle (Chairman)  
D St G Jeffers  
B Jeffery  
M Houghton (appointed 1 October 1986)  
M Allison (appointed 1 October 1986)

Mr J H Beedle and Mr M P Green are also directors of the ultimate holding company and their interests in the shares of that company are disclosed in its directors' report.



The other directors' interests in the shares of the ultimate holding company are as follows:-

	<u>30 September</u> <u>1987</u>	<u>1 October</u> <u>1986</u>
D St G Jeffers	5,000	Nil
B Jeffery	14,466	7,233
M Houghton	672	336
M Allison	160	80

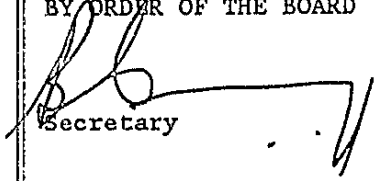
Close company

7 The company is not a close company within the provisions of the Income and Corporation Taxes Act 1970, as amended.

Auditors

8 Coopers & Lybrand have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the annual general meeting.

BY ORDER OF THE BOARD

  
Secretary

New Roman House  
10 East Road  
London

21 OCT 1988

Auditors' report to the members of  
THE MOVING PICTURE COMPANY LIMITED

We have audited the accounts set out on pages 4 to 14 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 30 September 1987 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

*Coopers & Lybrand*

Chartered Accountants  
LONDON,

21 OCT 1988

THE MOVING PICTURE COMPANY LIMITED

Profit and loss account  
for the year ended 30 September 1987

	<u>Notes</u>	<u>1987</u> £	<u>1986</u> £
Turnover	1(b)	9,315,825	8,430,257
Cost of sales		(4,200,233)	(2,783,563)
Gross profit		5,115,592	5,646,694
Net operating expenses	2	(3,305,848)	(2,968,062)
Trading profit	3	1,809,744	2,678,632
Interest payable and similar items	6	(38,978)	(38,978)
Profit on ordinary activities before taxation		1,770,766	2,639,654
Tax on profit on ordinary activities	7	(1,074,615)	(1,084,498)
Profit on ordinary activities after taxation		696,151	1,555,156
Dividends paid and proposed	8	(585,796)	(837,073)
Retained profit for the year		<u>£110,355</u>	<u>£718,083</u>
Movements on the profit and loss account			
At 1 October 1986		3,579,151	2,861,068
Retained profit for the year		110,355	718,083
At 30 September 1987		<u>£3,689,506</u>	<u>£3,579,151</u>

The notes on pages 7 to 14 form part of these accounts.

Auditors' report page 3.

## THE MOVING PICTURE COMPANY LIMITED

## Balance sheet - 30 September 1987

	Notes	30 September 1987	30 September 1986
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	9	3,590,804	2,659,074
Investments	10	1,287,157	1,299,340
		<u>4,877,961</u>	<u>3,958,414</u>
<b>CURRENT ASSETS</b>			
Stocks	11	115,881	145,014
Debtors	12	5,033,048	4,840,369
Cash at bank and in hand		2,807,616	2,530,415
		<u>7,956,545</u>	<u>7,515,798</u>
CREDITORS: amounts falling due within one year	13	6,541,365	5,120,216
<b>NET CURRENT ASSETS</b>		<u>1,415,180</u>	<u>2,395,582</u>
<b>Total assets less current liabilities</b>		<u>6,293,141</u>	<u>6,353,996</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
Deferred taxation	14	1,287,157	1,299,340
	15	1,316,278	1,475,305
		<u>2,603,435</u>	<u>2,774,645</u>
		<u>£3,689,706</u>	<u>£3,579,351</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	200	200
Profit and loss account		3,689,506	3,579,151
		<u>£3,689,706</u>	<u>£3,579,351</u>

DIRECTORS

21 OCT 1988

The notes on pages 7 to 14 form part of these accounts.

Auditors' report page 3.

THE MOVING PICTURE COMPANY LIMITED

Statement of source and application of funds  
for the year ended 30 September 1987

	<u>1987</u> <u>£</u>	<u>1986</u> <u>£</u>
<b>SOURCE OF FUNDS</b>		
Profit on ordinary activities before taxation	1,770,766	2,639,654
Adjustment for items not involving the movement of funds:		
Depreciation	934,667	902,002
Profit on sale of fixed assets	(25,932)	(53,137)
Amortisation of investments in films	12,183	28,174
Total generated from operations	<u>2,691,684</u>	<u>3,516,693</u>
Sale proceeds of tangible assets	70,654	195,920
	<u>2,762,338</u>	<u>3,712,613</u>
<b>APPLICATION OF FUNDS</b>		
Dividends paid	671,169	685,695
Taxation paid	240,600	802,688
Purchase of tangible assets	1,911,119	650,735
Loans repaid	12,183	-
	<u>2,835,071</u>	<u>2,139,118</u>
(DECREASE)/INCREASE IN WORKING CAPITAL	<u>£(72,733)</u>	<u>£1,573,495</u>
Made up as follows:		
Stocks	(29,133)	87,697
Debtors	(542,214)	797,132
Creditors (excluding corporation tax)	83,465	53,655
Inter company indebtedness	137,948	579,111
Bank and cash balances	277,201	55,900
	<u>£(72,733)</u>	<u>£1,573,495</u>

Auditors' report page 3.

# THE MOVING PICTURE COMPANY LIMITED

Notes to the accounts - 30 September 1987

## Principal accounting policies

### 1(a) Basis of accounting

The accounts have been prepared under the historical cost convention.

### (b) Turnover

Turnover, which excludes value added tax, is arrived at as follows:-

- (i) Where facilities are being provided, turnover represents the sales value of the service during the year.
- (ii) Where a production contract exists, turnover represents the sales value of contracts completed during the year. Completion is defined as when the film is sold or the master is delivered.
- (iii) Where a master is held for exploitation or distribution, turnover represents the revenue actually notified by the distributor in respect of the programme.

### (c) Depreciation

Depreciation is calculated on a straight line basis so as to write off the book value of fixed assets over their expected useful lives. The main annual rates adopted are as follows:-

Leasehold improvements	Length of lease
Equipment, fixtures and fittings	15% per annum
Motor vehicles	25% per annum
Equipment leased to third parties	Length of lease

### (d) Work in progress

Work in progress on productions for third parties is valued at the lower of cost and net realisable value. No value is attributed to work in progress unless there is a contract committing a customer to purchase the production. Cost comprises direct costs of production and overheads attributable to present location and condition. Net realisable value is the estimated selling price less all further costs to completion. Payments in advance are set off against work in progress in the balance sheet, and any amount in excess of the value of work in progress is included in current liabilities.

### (e) Investments in films

Investments in films acquired or produced for exploitation and distribution are stated in the balance sheet at cost less amortisation to date. Amortisation is charged to write down the cost of such assets over their useful lives and the charge for each year is equivalent to the revenue notified during the year as being receivable in respect of the asset. Provision is also made for diminution in value of such assets immediately it becomes apparent that their book value exceeds their realisable value.



THE MOVING PICTURE COMPANY LIMITED

Notes to the accounts - 30 September 1987 continued

(f) Leasing income

Leasing income is recognised in the profit and loss account as it arises.

(g) Deferred taxation

Provision is made for deferred taxation, to the extent that it is expected ultimately to be payable.

Net operating expenses

2 Net operating expenses are made up as follows:

	<u>1987</u> £	<u>1986</u> £
Administrative expenses	3,448,908	3,224,899
Gross leasing income	(143,060)	(256,837)
Net operating expenses	<u>£3,305,848</u>	<u>£2,968,062</u>

Trading profit

3 Trading profit is stated after charging:-

	<u>1987</u> £	<u>1986</u> £
Auditors' remuneration	12,000	10,600
Amortisation of investments in films	12,183	28,174
Depreciation of tangible assets	934,667	902,002
Directors' emoluments for management, including pension contributions	<u>147,511</u>	<u>74,991</u>

Directors' emoluments

4 Directors' emoluments, excluding pension contributions are as follows:

	<u>1987</u>	<u>1986</u>
The highest paid director	<u>£61,633</u>	<u>£49,561</u>

The emoluments of the Chairman and a director, who are also directors of the ultimate holding company, are disclosed in the accounts of that company.

THE MOVING PICTURE COMPANY LIMITED

Notes to the accounts - 30 September 1987 continued

All other directors' emoluments were within the ranges:

<u>Emoluments</u>	<u>Number of directors</u>	
	<u>1987</u>	<u>1986</u>
£20,001 to £25,000	1	-
£25,001 to £30,000	1	1
£30,001 to £35,000	1	-
	<u>==</u>	<u>==</u>

Options have been granted to D St G Jeffers, B Jeffrey, M Houghton and M Allison to subscribe for 39,334, 24,000, 10,000 and 10,000 shares in the ultimate holding company respectively at prices ranging from 118p to 705p.

Employee information

5(a) The average number of persons employed by the company during the year, including executive directors, is analysed below:

	<u>1987</u>	<u>1986</u>
Production	30	29
Administration	50	49
	<u>—</u>	<u>—</u>
	80	78
	<u>==</u>	<u>==</u>

(b) Company employment costs - all employees, including executive directors:

	<u>1987</u>	<u>1986</u>
	<u>£</u>	<u>£</u>
Aggregate gross wages and salaries	1,595,432	1,459,769
Employers' national insurance contributions	166,386	151,780
Pension scheme contributions	4,848	-
	<u>==</u>	<u>==</u>
	£1,766,666	£1,611,549
	<u>==</u>	<u>==</u>

## THE MOVING PICTURE COMPANY LIMITED

## Notes to the accounts - 30 September 1987 continued

- (c) The number of employees, excluding executive directors, whose emoluments were within the following ranges:-

	<u>1987</u>	<u>1986</u>
£30,001 to £35,000	3	3
£35,001 to £40,000	1	4
£40,001 to £45,000	1	2
£45,001 to £50,000	4	-
	<u>==</u>	<u>==</u>

Interest payable and similar items

6	<u>1987</u>	<u>1986</u>
Intra group interest payable	£38,978	£38,978
	<u>==</u>	<u>==</u>

Tax on profit on ordinary activities

7	<u>1987</u> £	<u>1986</u> £
United Kingdom corporation tax based on the profit for the year at 37.5% (1986-42½%)	759,525	1,121,666
Adjustment in respect of prior years	474,117	169,060
Transfer from deferred taxation	(159,027)	(206,228)
	<u>£1,074,615</u>	<u>£1,084,498</u>

The adjustment in respect of prior years is to recognise the loss arising from a reallocation of the benefits of losses incurred in previous years by certain fellow group companies. Such losses, originally intended for surrender without payment to the company, were finally surrendered elsewhere within the Carlton group.

Dividends

8	<u>1987</u> £	<u>1986</u> £
Interim paid of £1,023.96 per share (1986-£1,853.48 per share)	204,791	370,695
Final proposed of £1,905.03 per share (1986-£2,331.89 per share)	381,005	466,378
	<u>£585,796</u>	<u>£837,073</u>

THE MOVING PICTURE COMPANY LIMITED

Notes to the accounts - 30 September 1987 continued

Tangible assets

9	Alterations to short leasehold properties	Video taping equipment	Fixtures fittings and motor vehicles	Equipment leased to third parties	Total
	£	£	£	£	£
Cost					
At 1 October 1986	58,444	5,143,073	400,786	1,286,419	6,888,722
Expenditure	49,744	1,726,358	135,017	-	1,911,119
Disposals	-	(149,763)	(51,460)	-	(201,223)
At 30 September 1987	108,188	6,719,668	484,343	1,286,419	8,598,618
Depreciation					
At 1 October 1986	36,027	2,914,555	270,570	1,008,496	4,229,648
Charge for period	3,318	731,369	78,938	121,042	934,667
Disposals	-	(138,941)	(17,560)	-	(156,501)
At 30 September 1987	39,345	3,506,983	331,948	1,129,538	5,007,814
Net book value at 30 September 1987	£68,843	£3,212,685	£152,395	£156,881	£3,590,804
Net book value at 30 September 1986	£22,417	£2,228,518	£130,216	£277,923	£2,659,074

Investments

10 Investments in films are stated as follows:-

	£
Cost at 1 October 1986 and 30 September 1987	£2,086,942
Accumulated amortisation at 1 October 1986	787,602
Provision made in the year	12,183
Accumulated amortisation at 30 September 1987	£799,785
Net book value at 30 September 1987	£1,287,157
Net book value at 30 September 1986	£1,299,340

THE MOVING PICTURE COMPANY LIMITED

Notes to the accounts - 30 September 1987 continued

Stocks

11	<u>1987</u> £	<u>1986</u> £
Costs incurred	115,881	322,316
Less: advance billings	-	(177,302)
Work in progress	<u>£115,881</u>	<u>£145,014</u>

Debtors

12	<u>1987</u> £	<u>1986</u> £
Trade debtors	1,856,265	2,451,217
Amounts owed by group companies	2,397,561	1,662,668
United Kingdom corporation tax recoverable	402,928	402,928
Other debtors	319,537	259,215
Prepayments	56,757	64,341
	<u>£5,033,048</u>	<u>£4,840,369</u>

Creditors: amounts falling due within one year

13	<u>1987</u> £	<u>1986</u> £
Payments received on account in excess of costs incurred to date	56,701	52,143
Trade creditors	344,430	194,953
Amounts owed to group companies	2,513,645	2,002,073
United Kingdom corporation tax payable	2,896,683	1,903,641
Other creditors including payroll, taxation and social security (see (a) below)	254,166	437,839
Accruals	475,740	529,567
	<u>£6,541,365</u>	<u>£5,120,216</u>

Amounts owed to group companies include the dividend payable of £381,005 (1986-£466,378).

THE MOVING PICTURE COMPANY LIMITED

Notes to the accounts - 30 September 1987 continued

(a) Other creditors including taxation and social security comprise:

	<u>1987</u> £	<u>1986</u> £
Taxation and social security	178,430	403,416
Other creditors	75,736	34,423
	<u>£254,166</u>	<u>£437,839</u>

Creditors: amounts falling due after more than one year

	<u>1987</u>	<u>1986</u>
14		
Amounts due to holding company	<u>£1,287,157</u>	<u>£1,299,340</u>

The loan, which has no fixed repayment terms, bears interest at a rate of 3% per annum.

Deferred taxation

15	<u>1987</u>		<u>1986</u>	
	Full		Full	
	potential	Provision	potential	Provision
	liability	made	liability	made
	£	£	£	£
Accelerated capital allowances	1,339,935	1,339,935	1,475,305	1,475,305
Short-term timing differences	(23,657)	(23,657)	-	-
	<u>£1,316,278</u>	<u>£1,316,278</u>	<u>£1,475,305</u>	<u>£1,475,305</u>

The movement on the deferred taxation account is as follows:

	£
At 1 October 1986	1,475,305
Transferred to profit and loss account	(159,027)
At 30 September 1987	<u>£1,316,278</u>

THE MOVING PICTURE COMPANY LIMITED

Notes to the accounts - 30 September 1987 continued

Called up share capital

16	<u>Ordinary shares of £1 each</u>			
	<u>1987</u>		<u>1986</u>	
	Number	£	Number	£
Authorised	10,000	£10,000	10,000	£10,000
Issued and fully paid	<u>200</u>	<u>£200</u>	<u>200</u>	<u>£200</u>

Capital Commitments

17	<u>1987</u>	<u>1986</u>
Contracted for but not provided in the financial statements	<u>£472,000</u>	<u>£1,046,000</u>
Authorised but not yet contracted for	<u>£1,016,000</u>	<u>£508,000</u>

Ultimate holding company

18 The ultimate holding company is Carlton Communications Plc, which is incorporated in Great Britain.