

BRITISH HARLEQUIN PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1998

Greenaway & Co
Chartered Accountants
150 High Street
Sevenoaks
Kent TN13 1XE
Tel: 0173 245 0088



BRITISH HARLEQUIN PLC

COMPANY INFORMATION

Directors	R K Dagger B F C Richards A J Barwell
Secretary	B F C Richards
Company number	1420396
Registered office & Business address	Bankside House Vale Road Tonbridge Kent TN9 1FJ
Telephone	0173 236 7666
Facsimile	0173 236 7755
Auditors	Greenaway & Co 150 High Street Sevenoaks Kent TN13 1XE
Bankers	Barclays Bank plc 1 Station Road Borough Green Kent TN15 8EP

BRITISH HARLEQUIN PLC

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BRITISH HARLEQUIN PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998

The directors present their report and financial statements for the year ended 31 March 1998.

Principal activities and review of the business

The principal activity of the company continued to be that of dealing in goods and services connected with the theatre and entertainment industry. The subsidiary, Theatre Flooring Limited continued to remain dormant throughout the financial year.

The company's core activities continued to increase in both volume and in profitability.

Results and dividends

The results for the year are set out on page 4.

The directors recommend payment of an ordinary dividend amounting to £60,000.

Fixed assets

The significant changes in fixed assets during the year are explained in notes 8 and 9 to the financial statements.

Directors

The following directors have held office since 1 April 1997:

R K Dagger
B F C Richards
A J Barwell

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 1998	1 April 1997
R K Dagger	20,000	20,000
B F C Richards	15,000	15,000
A J Barwell	15,000	15,000

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 and to pay in accordance with the company's contractual and legal obligations.

The average creditors payback period for the financial year was 103 days.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Greenaway & Co be reappointed as auditors of the company will be put to the Annual General Meeting.

BRITISH HARLEQUIN PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1998

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 profit or loss of the company 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 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.

By order of the board



B.E.C. Richards
Company Secretary

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22/10/98

BRITISH HARLEQUIN PLC

AUDITORS' REPORT TO THE SHAREHOLDERS OF BRITISH HARLEQUIN PLC

We have audited the financial statements on pages 4 to 18 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

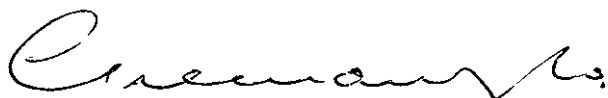
Basis of opinion

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 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 31 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Greenaway & Co

Chartered Accountants

Registered Auditor

23 = 10 = 98

150 High Street
Sevenoaks
Kent
TN13 1XE

BRITISH HARLEQUIN PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1998

		Year ended 31 March 1998 £	Year ended 31 March 1997 £
	Notes		
Turnover	2	1,013,674	991,854
Cost of sales		(450,863)	(510,154)
Gross profit		562,811	481,700
Administrative expenses		(352,818)	(379,454)
Operating profit	3	209,993	102,246
Investment income	4	-	(102)
Other interest receivable and similar income	4	535	347
Interest payable and similar charges	5	(20,688)	(663)
Profit on ordinary activities before taxation		189,840	101,828
Tax on profit on ordinary activities	6	(13,673)	(27,208)
Profit on ordinary activities after taxation		176,167	74,620
Dividends	7	(60,000)	(30,000)
Retained profit for the year	17	116,167	44,620

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.

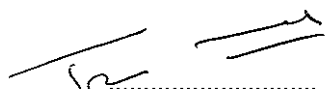
BRITISH HARLEQUIN PLC

BALANCE SHEET AS AT 31 MARCH 1998

	Notes	1998 £	£	1997 £	£
Fixed assets					
Tangible assets	8	384,841		87,517	
Investments	9	12,373		12,373	
		<u>397,214</u>		<u>99,890</u>	
Current assets					
Stocks	10	224,909		251,006	
Debtors	11	132,187		152,128	
Cash at bank and in hand		77,218		90,500	
		<u>434,314</u>		<u>493,634</u>	
Creditors: amounts falling due within one year	12	(262,658)		(318,374)	
Net current assets			<u>171,656</u>		<u>175,260</u>
Total assets less current liabilities			<u>568,870</u>		<u>275,150</u>
Creditors: amounts falling due after more than one year	13	(222,895)		-	
Provisions for liabilities and charges	14	-		(13,290)	
			<u>345,975</u>		<u>261,860</u>
Capital and reserves					
Called up share capital	16	50,000		50,000	
Revaluation reserve	17	-		32,052	
Profit and loss account	17	295,975		179,808	
Shareholders' funds - equity interests	18	<u>345,975</u>		<u>261,860</u>	

The financial statements were approved by the Board on 23/10/98


R K Daggery
Director


A J Barwell
Director

BRITISH HARLEQUIN PLC

CASH FLOW STATEMENT FOR THE YEAR 31 MARCH 1998

	Year ended 31 March 1998 £	year ended 31 March 1997 £
Net cash inflow from operating activities	123,543	120,869
Returns on investments and servicing of finance		
Interest received	535	347
Interest paid	(20,688)	(663)
Dividends paid	(30,000)	(30,000)
Net cash outflow from returns on investments and servicing of finance	(50,153)	30,316
Taxation		
Corporation tax paid (including advance corporation tax)	(27,237)	(27,752)
Tax paid	(27,237)	(27,752)
Capital expenditure		
Payments to acquire tangible assets	(389,002)	(6,927)
Receipts from sales of tangible assets	112,000	-
Net cash outflow from investing activities	(277,002)	6,927
Net cash (outflow)/inflow before financing	(230,849)	55,874
Financing		
New long term bank loan	241,984	-
Net cash inflow/(outflow) from financing	241,984	-
Increase in cash	11,135	55,874

BRITISH HARLEQUIN PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1998

1	Reconciliation of operating profit to net cash outflow from operating activities	1998	1997
		£	£
	Operating profit	209,993	102,246
	Depreciation of tangible assets	23,183	6,451
	Profit on disposal of tangible assets	(75,922)	-
	Decrease/(increase) in stocks	26,097	(167,290)
	Decrease in debtors	19,941	48,680
	(Decrease)/Increase in creditors within one year	(79,755)	130,781
	Net cash outflow from operating activities	123,543	120,868

2	Analysis of net debt	1 April 1997	Cash flow	Other non cash changes	31 March 1998
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	90,500	(13,282)	-	77,218
	Bank overdrafts	(24,417)	24,417	-	-
		<u>66,083</u>	<u>11,135</u>	<u>-</u>	<u>77,218</u>

3	Reconciliation of net cash flow to movement in net debt	1998	1997
		£	£
	Decrease in cash in the year	11,135	42,274
	Cash outflow from decrease in debt	-	13,600
	Movement in net debt in the year	11,135	55,874
	Opening net funds/(debt)	66,083	10,209
	Closing net debt	77,218	66,083

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The accounts are prepared in accordance with applicable accounting standards.

1.3 Turnover

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

1.4 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 & buildings Freehold	4% per annum on straight line basis
Building improvements	4% per annum on straight line basis
Fixtures, fittings & equipment	15% per annum on written down value
Motor vehicles	20% per annum on written down value

1.5 Leasing

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

1.6 Investments

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

1.7 Stock

Stock is valued at the lower of cost and net realisable value after making appropriate specific provision for slow moving and obsolescent items

1.8 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998

1.9 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

Geographical market

	Turnover	
	1998	1997
	£	£
U.K.	822,567	797,708
Export	191,107	194,146
	<u>1,013,674</u>	<u>991,854</u>

3 Operating profit

	1998	1997
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	23,037	6,451
Operating lease rentals	8,739	2,535
Auditors' remuneration	4,000	4,000
Remuneration of auditors for non-audit work	8,472	9,577
Exchange (gains)/losses	(10,738)	12,444
	<u></u>	<u></u>

4 Income from investments, other interest receivable and similar income

	1998	1997
	£	£
Loss on disposal of unlisted investments	-	(102)
Bank interest	535	347
	<u>535</u>	<u>245</u>

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998

5	Interest payable	1998	1997
		£	£
	On other loans wholly repayable within 5 years	-	663
	On loans repayable after 5 years	20,688	-
		<u>20,688</u>	<u>663</u>
6	Taxation	1998	1997
		£	£
	U.K. current year taxation		
	U.K. corporation tax at 21% (1997 - 24%)	26,934	27,208
	Prior years		
	U.K. Corporation tax	29	-
	Deferred taxation	(13,290)	-
		<u>13,673</u>	<u>27,208</u>
7	Dividends	1998	1997
		£	£
	Ordinary final proposed	<u>60,000</u>	<u>30,000</u>

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998

8 Tangible fixed assets

	Land & buildings Freehold	Building improv'mnt	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 1997	78,000	-	40,771	-	118,771
Additions	329,788	22,964	20,057	16,193	389,002
Disposals	(78,000)	-	-	-	(78,000)
At 31 March 1998	329,788	22,964	60,828	16,193	429,773
Depreciation					
At 1 April 1997	9,360	-	21,743	-	31,103
On disposals	(9,360)	-	-	-	(9,360)
Charge for the year	13,191	919	5,840	3,239	23,189
At 31 March 1998	13,191	919	27,583	3,239	44,932
Net book value					
At 31 March 1998	316,597	22,045	33,245	12,954	384,841
At 31 March 1997	68,640	-	18,877	-	87,517

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998

9 Fixed asset investments

	Shares in participating interests £	Shares in subsidiary undertakings £	Total £
Cost			
At 1 April 1997 & at 31 March 1998	12,371	2	12,373

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings and those undertakings in which the company has a participating interest is not less than the amount included in the balance sheet.

The company has taken advantage of the exemptions available and not prepared group accounts for the reason that the subsidiary undertaking is dormant and any consolidation adjustments would be immaterial.

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			
Theatre Flooring Limited	England	Ordinary	100
Participating interests			
American Harlequin Corporation	USA	Ordinary	33

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Profit for the year
Theatre Flooring Limited	2	-
American Harlequin Corporation	527,039	121,287

10 Stocks

	1998 £	1997 £
Finished goods and goods for resale	224,909	251,006

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998

11 Debtors	1998 £	1997 £
Trade debtors	96,456	99,884
Amounts owed by participating interests	5,500	42,000
ACT recoverable	15,000	7,500
Prepayments and accrued income	15,231	2,744
	<u>132,187</u>	<u>152,128</u>

12 Creditors: amounts falling due within one year	1998 £	1997 £
Bank loans and overdrafts	19,089	24,417
Trade creditors	128,220	157,525
Deferred income	5,813	50,666
Corporation tax	19,434	19,708
Other taxes and social security costs	24,520	21,454
Directors' current accounts	-	1,745
Accruals	5,582	12,859
Proposed dividend	60,000	30,000
	<u>262,658</u>	<u>318,374</u>

The bank overdraft is secured by a debenture dated 29th July 1992 and by the Government Small Firms Loan Guarantee Scheme.

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998

13 Creditors: amounts falling due after more than one year	1998 £	1997 £
Bank loans	222,895	-
Analysis of loans		
Not wholly repayable within five years by instalments:	157,204	-
Wholly repayable within five years	84,780	-
Included in current liabilities	241,984 (19,089)	- -
	222,895	-
Loan maturity analysis		
Between one and two years	19,089	-
Between two and five years	46,602	-
In five years or more	157,204	-

The mortgage loan is secured by a 1st legal charge over the property dated 12 May 1997.

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998

14 Provisions for liabilities and charges

	Deferred taxation £
Balance at 1 April 1997	13,290
Revaluation reserve	(13,290)
	<u> </u>

Deferred tax is provided at 0% (1997 - 0%) analysed over the following timing differences:

	Fully provided 1998 £	1997 £
Other timing differences	13,290	13,290
	<u>13,290</u>	<u>13,290</u>
Surplus on revaluation of land and buildings	(13,290)	-
	<u>-</u>	<u>13,290</u>

The provision for deferred tax brought forward related to the potential corporation tax on the surplus arising on the revaluation of the freehold premises. The balance was written off to the profit and loss account when the freehold property was sold.

15 Pension costs

The company set up a small self-administered defined contribution scheme on 27th March 1997 for the benefit of the three directors. The assets of the scheme are held separately from those of the company. The pension cost charge in the profit and loss account includes contributions payable from the company to the scheme amounting to £10,000, all of which had been paid by 31st March 1998.

16 Share capital

	1998 £	1997 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000
	<u> </u>	<u> </u>

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998

17 Statement of movements on reserves

	Profit and loss account £
Balance at 1 April 1997	179,808
Retained profit for the period	116,167
Balance at 31 March 1998	<u>295,975</u>

18 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the financial year	176,167	74,620
Dividends	(60,000)	(30,000)
Net addition to shareholders' funds	<u>116,167</u>	<u>44,620</u>
Opening shareholders' funds	261,860	217,240
Closing shareholders' funds	<u>345,975</u>	<u>261,860</u>

19 Contingent liabilities

The company has contingent liabilities to its bankers in respect of a Duty Deferment Guarantee for £14000 to H M Customs & Excise dated 26th May 1988.

20 Financial commitments

At 31 March 1998 the company had annual commitments under non-cancellable operating leases as follows:

	1998 £	1997 £
Expiry date:		
Between two and five years	<u>7,419</u>	<u>1,707</u>

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998

21 Directors' emoluments	1998 £	1997 £
Medical insurance	5,370	5,057
Remuneration including pension contributions	61,994	43,612
Employers NIC including class 1A	4,708	3,193
	<u>72,072</u>	<u>51,862</u>
Emoluments disclosed above (excluding pension contributions) include amounts paid to:		
The chairman	<u>30,000</u>	<u>7,450</u>
The highest paid director	<u>30,000</u>	<u>12,500</u>
Other directors' emoluments (excluding pension contributions) were in the following ranges:		
£5,001 - £10,000	1	1
£10,001 - £15,000	<u>1</u>	<u>1</u>

BRITISH HARLEQUIN PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1998

22 Transactions with directors

CONTROL-

As shown in the directors report, the directors of the company own 100% of the issued share capital and therefore have control of the company.

TRANSACTIONS-

(a) The directors of the company have control of other limited companies to which management charges are paid for their services. During the year amounts paid were as follows:

To Kent Mercantile Limited, for the services of R K Dagger, £28,109

To Folio One Limited, for the services of B F C Richards, £67,706.

(b) British Harlequin plc makes charges to its associated company, American Harlequin Corporation for management services provided. During the year such charges amounted to £37,995.

(c) As individuals the directors of British Harlequin plc hold a controlling interest in Harlequin International SARL, Luxembourg. During the normal course of business the company sells goods to Harlequin International SARL. The total invoiced sales during the year amounted to £81,163. No preferential credit terms were given.

(d) During the normal course of business the company trades with its associated company, American Harlequin Corporation. During the year the total invoiced sales amounted to £67,415. No preferential credit terms were given.

23 Employees

Number of employees

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

	1998 Number	1997 Number
Administration	4	4
Selling	5	4
	<u>9</u>	<u>8</u>

Employment costs

	£	£
Wages and salaries	143,482	120,836
Social security costs	13,771	12,184
Other pension costs	12,409	12,410
	<u>170,106</u>	<u>145,117</u>