

2944409

ARLINGTON PRODUCTIONS LIMITED

REPORT

AND

FINANCIAL STATEMENTS

31<sup>ST</sup> DECEMBER 1996



ARLINGTON PRODUCTIONS LIMITED

DIRECTORS' REPORT

Registered Number: 2944409

Directors: Mr J.E. Bollom  
Ms A.M. Pearse  
Mr D.R. Lapham, FCA  
Mr Anthony Palladino  
(App: 10.12.1996)

Secretary: Ms A.M. Pearse

Registered Office: Arlington House,  
The Hawthorn Centre,  
Elmgrove Road,  
Harrow,  
Middlesex, HA1 2RF.

Solicitors: Marriott Harrison,  
12 Great James Street,  
London, WC1N 3DR.

Auditors: Chapman Davis & Co.,  
2 Chapel Court,  
London, SE1 1HR.

The Directors have pleasure in presenting their Report, together with the audited Financial Statements of the Company, for the period ended 31<sup>st</sup> December, 1996.

FINANCIAL YEAR/PERIOD(S)

The First Report and the audited Financial Statements presented therewith were for the 16 month period ended 31<sup>st</sup> October, 1995 ("First Period").

On 14<sup>th</sup> November, 1995, the Company's Accounting Reference Date was changed to 31<sup>st</sup> December, with effect from 1996. In consequence, this Report and the audited Financial Statements presented herewith are for the 14 month period ended 31<sup>st</sup> December, 1996 ("Period").

TRADING RESULTS & DIVIDENDS

	<u>Period</u> £	<u>First Period</u> £
The Company's profit for the period, after taxation, amounted to which added to the accumulated balance brought forward of	3,643 1,895	1,895 -
leaves a balance to be carried forward of	5,538 =====	1,895 =====

The Directors do not recommend the payment of a dividend.

ARLINGTON PRODUCTIONS LIMITED

DIRECTORS' REPORT

CONTINUED

ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is the undertaking of joint ventures, as between the Company's two shareholders, in the television, film and allied industries.

The principal activities of the Company's wholly owned subsidiary Companies (see Note 5) are, respectively, film production and licensing and the publishing of music.

The Directors consider the Period was satisfactory for the Company and that the prospects for the ensuing year are favourable.

DIRECTORS

The Directors who served during the Period were as follows:

Mr. J.E. Bollom (Chairman)  
Ms. A.M. Pearse  
Mr. D.R. Lapham, FCA  
Mr. C.J. Moore (Appointed: 14.11.1995) (Deceased: 30.09.1996)  
Mr. Anthony Palladino (Appointed: 10.12.1996)

DIRECTORS' INTERESTS

- (a) No Director held any shares in the Company at 1<sup>st</sup> November, 1995 or at 31<sup>st</sup> December, 1996.
- (b) No Director has a beneficial interest in any contract between the Company and any third party.

LITIGATION

Neither as plaintiff nor defendant is the Company involved in, aware of or contemplating any litigation, the result of which would result in a material loss or gain to the Company.

AUDITORS

Having signified their willingness to remain in office, a resolution to re-appoint Messrs Chapman Davis & Co as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Dated this 11<sup>th</sup> day of March, 1997

By Order of the Board

  
A.M. PEARSE  
Secretary

REPORT OF THE AUDITORS  
TO THE MEMBERS OF ARLINGTON PRODUCTIONS LIMITED

Preamble

We have audited the Financial Statements on pages 1 to 9 (inclusive) which have been prepared under the historical cost convention and in accordance with the Accounting Policies of the Company set out on page 4 ("the Accounting Policies").

Respective responsibilities of the Directors and the Auditors

Company law requires the Directors of the Company ("the Directors") to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing such financial statements, the Directors are required to:

- (1) select suitable accounting policies and apply them consistently;
- (2) make judgements and estimates which are reasonable and prudent;
- (3) prepare such financial statements on a 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 at any time disclose with reasonable accuracy the financial position of the Company and which enable the Directors to ensure that the financial statements referred to above comply with the Companies Act 1985. The Directors are also responsible for safeguarding the assets of the Company and, in consequence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

It is our responsibility as auditors to form an independent opinion, based on our audit, on such 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:

- (a) examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements;
- (b) an assessment of the significant estimates and judgements made by the Directors in the preparation of the Financial Statements;

REPORT OF THE AUDITORS

TO THE MEMBERS OF ARLINGTON PRODUCTIONS LIMITED

CONTINUED

- (c) assessing 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 mis-statement, 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 Company's affairs as at 31<sup>st</sup> December, 1996 and of the profit for the Period then ended and have been properly prepared in accordance with the Companies Act 1985.

CHAPMAN DAVIS & CO.  
Chartered Accountants  
Registered Auditor

11<sup>th</sup> March, 1997

ARLINGTON PRODUCTIONS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31<sup>ST</sup> DECEMBER 1996

		<u>Period</u>	<u>First Period</u>
	<u>Note</u>	£	£
TURNOVER	(1)	253,530	214,354
OPERATING EXPENSES	(2)	248,737	211,827
		<hr/>	<hr/>
OPERATING PROFIT		4,793	2,527
After charging:			
Formation costs	-	760	
Depreciation	810	794	
Auditors' remuneration	4,000	4,000	
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES before taxation		4,793	2,527
TAXATION	(3)	1,150	632
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES after taxation		3,643	1,895
Balance brought forward		1,895	-
		<hr/>	<hr/>
BALANCE CARRIED FORWARD		£5,538	£1,895
		=====	=====

None of the Company's activities were discontinued in the Period.

The Company had no recognised gains or losses other than those dealt with in the profit and loss account.

The Accounting Policies detailed on page 4, together with the Notes on pages 5 to 9 (inclusive), form part of these Financial Statements.

ARLINGTON PRODUCTIONS LIMITED

BALANCE SHEET

31<sup>ST</sup> DECEMBER 1996

		At 31.12.1996		At 31.10.1995	
	<u>Note</u>	£	£	£	£
<u>FIXED ASSETS</u>					
Tangible assets	(4)		4,744		5,554
Investments	(5)		11,900		6,900
			<hr/>		<hr/>
			16,644		12,454
<u>CURRENT ASSETS</u>					
	(8)				
Production costs		500		171	
Joint venture costs		201,322		135,084	
Trade debtors		-		-	
Amounts due from associated companies		168,874		57,941	
Other debtors		17,856		10,303	
Recoverable exploitation expenses		14,057		9,721	
Accrued income		430,602		214,091	
Prepayments		4,011		2,312	
Cash in hand and at bank		-		-	
		<hr/>		<hr/>	
		837,222		429,623	
<u>CURRENT LIABILITIES</u>					
Joint venture advances	(9)	215,380		49,050	
Trade creditors		1,567		9,032	
Loans from associated companies	(10)	335,309		181,574	
Other creditors		277,392		185,669	
Corporation tax		1,782		632	
Other taxation		-		-	
Accruals		11,898		9,225	
		<hr/>		<hr/>	
		843,328		435,182	
NET CURRENT LIABILITIES			(6,106)		(5,559)
			<hr/>		<hr/>
NET ASSETS			10,538		6,895
			=====		=====

ARLINGTON PRODUCTIONS LIMITED

BALANCE SHEET

CONTINUED

	<u>Note</u>	<u>At</u> <u>31.12.1996</u>	<u>At</u> <u>31.10.1995</u>
		£	£
<u>CAPITAL AND RESERVES</u>			
Called up share capital	(11)	5,000	5,000
Profit and loss account		5,538	1,895
		<hr/>	<hr/>
Shareholders' funds	(12)	10,538	6,895
		=====	=====

The Accounting Policies on page 4, together with the Notes on pages 5 to 9 (inclusive), form part of these Financial Statements.

These Financial Statements were approved by the Board on 11<sup>th</sup> March, 1997.

D.R. LAPHAM)  
                  ) Directors  
A.M. PEARSE)

  
A.M. PEARSE.



ARLINGTON PRODUCTIONS LIMITED

ACCOUNTING POLICIES

- (1) Dependent upon whether a production has been produced (a) by way of a commission from a third party (or parties) or (b) by the Company speculatively, the cost of each production (excluding the cost of Master Tapes and Negatives) is written off:
  - (a) Parri-passu with income received/contracted; or,
  - (b) At the rate of 25% in each year following completion of production.
- (2) Production costs include pre-production costs. Pre-production costs of specific projects are carried forward until a final decision is made to go into production. If a project is closed, the pre-production costs for that project are written off at the date of closure.
- (3) Pre-production costs include (inter alia) the cost of acquiring and developing literary, dramatic and other story rights and material.
- (4) Recoverable Exploitation Expenses are monies expended in the course of effecting sales on behalf of, and are recoverable from, clients.
- (5) Licence fees are credited upon agreement finalisation or receipt, whichever first occurs.
- (6) Transactions contracted in foreign currencies are converted to sterling at the rates ruling at the Balance Sheet date.
- (7) Depreciation of fixtures, fittings and equipment is charged on a reducing balance basis of 12½%.
- (8) The Financial Statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

ARLINGTON PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31<sup>ST</sup> DECEMBER 1996

(1) TURNOVER

Turnover represents net amounts invoiced or contracted during the Period excluding value added tax. The analysis of turnover by activity is shown below.

	<u>Period</u>	<u>First Period</u>
	£	£
Production and management fees	1,500	-
Licencing fees	252,030	214,354
Sundry	-	-
	<hr/>	<hr/>
Total	253,530	214,354
	=====	=====

(2) DIRECTORS' REMUNERATION

(a) No Director received or waived any remuneration from the Company during the Period.

(b) No amounts were paid by the Company in or for the Period in relation to any Director's loss of office.

(3) TAXATION

	<u>Period</u>	<u>First Period</u>
	£	£
The taxation charged based on the profit before tax comprises:		
U.K. Corporation tax at 24% (First Period: 25%)	1,150	632
	=====	===

ARLINGTON PRODUCTIONS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
CONTINUED

(4) TANGIBLE ASSETS

	<u>Fixtures, Fittings &amp; Equipment</u>
	£
Cost	
At 1 <sup>st</sup> November, 1995	6,348
Additions	-
Disposals	-
	<hr/>
At 31 <sup>st</sup> December, 1996	6,348
	<hr/>
Depreciation	
At 1 <sup>st</sup> November, 1995	794
Charge for the Period	810
Disposals	-
	<hr/>
At 31 <sup>st</sup> December, 1996	1,604
	<hr/>
Net Book Value	
At 31 <sup>st</sup> December, 1996	4,744
	<hr/>
Net Book Value	
At 31 <sup>st</sup> October, 1995	5,554
	=====

(5) INVESTMENTS - ASSOCIATED UNDERTAKINGS

	<u>At 31.10.1995</u>	<u>Additions</u>	<u>At 31.12.1996</u>
	£	£	£
Cost	6,900	5,000	11,900
	=====	=====	=====

The three undernoted companies were associated undertakings of the Company at the balance sheet date:

ARLINGTON PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

(5) INVESTMENTS - ASSOCIATED UNDERTAKINGS

<u>Name of Undertaking</u>	<u>Proportion and nature of share capital owned</u>	<u>Nature of business</u>
Tyburn Film Productions Limited	100% Ordinary	Film production and licensing.
Tyburn Music Limited	100% Ordinary	Music publishing.

Both associated undertakings are private companies registered in England.

Consolidated Financial Statements have not been prepared as the Directors are of the opinion that such would be of no value to Members of the Company as the amounts involved are not material.

(6) ASSOCIATED UNDERTAKINGS - FINANCIAL SUMMARY

<u>Name of Undertaking</u>	<u>Aggregate Capital and reserves at 31.12.1996</u> £	<u>Profit for 1996</u> £
Tyburn Film Productions Limited	(163,239)	4,471
Tyburn Music Limited	2,201	937

(7) DEALINGS WITH RELATED PARTIES

On normal commercial terms, the Company supplied goods and/or services and/or facilities to related parties for which (nett of value added tax) the Company was (or will be) remunerated as follows:

	<u>Period</u>	<u>First Period</u>
	£	£
Arrowfield Services Limited	-	-
Arlington Leisure Limited	-	-
Tyburn Film Productions Limited	1,000	-
Tyburn Music Limited	500	200
Directors of the Company	-	-
Staff of the Company	-	-
Directors of associated and/or parent undertakings	-	-

ARLINGTON PRODUCTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

(7) DEALINGS WITH RELATED PARTIES

On normal commercial terms, the Company acquired goods and/or services and/or facilities from related parties (excluding salaries and fees disclosed elsewhere herein) for which (nett of value added tax) the Company remunerated (or will remunerate) such parties as follows:

	<u>Period</u>	<u>First Period</u>
	£	£
Arrowfield Services Limited	75,000	92,000
Arlington Leisure Limited	75,000	92,000
Tyburn Film Productions Limited	-	-
Tyburn Music Limited	-	-
Directors of the Company	-	-
Staff of the Company	-	-
Directors of associated and/or parent undertakings	-	-

(8) CURRENT ASSETS (Distribution Rights)

In the normal course of business the Company has acquired the international home video and television distribution rights to a number of feature films, television films and television programmes. Whilst the control of these rights represent an asset of the Company, as the same were vested in the Company for little or no financial consideration, no asset value is included in the Balance Sheet.

(9) JOINT VENTURE ADVANCES

Joint Venture Advances are subordinated, non-interest bearing loans - provided by one of the shareholders, pursuant to a Shareholders' Agreement dated 29<sup>th</sup> June, 1994. Such are repayable exclusively from revenue received by the Company from the relevant Joint Venture to which such Joint Venture Advances respectively relate.

(10) LOANS

Loans are subordinated, non-interest bearing advances - provided by one of the shareholders, pursuant to a Shareholders' Agreement dated 29<sup>th</sup> June, 1994 (as amended). Such are repayable exclusively from the surplus of revenue over expenditure received by the Company.

ARLINGTON PRODUCTIONS LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
CONTINUED

(11) SHARE CAPITAL

	<u>Period</u>	<u>First Period</u>
	£	£
Authorised:		
Ordinary shares of £1 each	5,000 =====	5,000 =====
Allotted, Called up and Fully Paid:		
Ordinary shares of £1 each	5,000 =====	5,000 =====

(12) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>Period</u>	<u>First Period</u>
	£	£
Result for financial year	3,643	1,895
Opening shareholder's funds	6,895	5,000
	-----	-----
Closing shareholder's funds	10,538 =====	6,895 =====