

Grant Thornton 

**ELECTRONIC THEATRE CONTROLS
EUROPE, LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1997



Company no 3057796

ELECTRONIC THEATRE CONTROLS EUROPE, LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1997

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ELECTRONIC THEATRE CONTROLS EUROPE, LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1997.

Principal activities

The principal activity of the company is the manufacture and selling of theatre lighting equipment.

Business review

As forecast in last year's report turnover increased substantially during the year, by nearly 40% to £3.8m. The expansion of the business has also involved the leasing of additional premises, which required some capital expenditure prior to occupation. Unfortunately the company suffered significant bad debts, and the exceptional profit and loss account charge of over £273,000 meant that the company was unable to report a profit for the year. However, the directors are confident that the underlying profitability will show through in 1998.

There was a loss for the year after taxation amounting to £188,085 (1996: loss £208,264). The directors do not recommend payment of a dividend.

Directors

The directors who served throughout the year were as follows:

A Bennette
W Gallinghouse (USA) (resigned 6 February 1998)
F Foster (USA)
M Acker (USA)
R Titus (USA)
R Vandenburgt (USA)

Directors' responsibilities for the financial statements

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
- 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ELECTRONIC THEATRE CONTROLS EUROPE, LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



F Foster
Director
11 March 1998

**REPORT OF THE AUDITORS TO THE MEMBERS OF
ELECTRONIC THEATRE CONTROLS EUROPE, LIMITED**

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 4.

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 statements and to report our opinion to you.

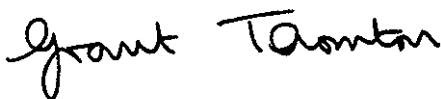
Basis of opinion

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 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

SOUTHAMPTON
11 March 1998

ELECTRONIC THEATRE CONTROLS EUROPE, LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis on the assumption that financial support will continue to be provided by the parent undertaking.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

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 systematically over their expected useful lives. The rates generally applicable are:

Leasehold buildings	Over the period of the lease
Plant and machinery	20% straight line
Motor vehicles	25% reducing balance
Fixtures and fittings	20% to 50% straight line

STOCKS

Stocks are stated at the lower of cost and net realisable value.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

GOVERNMENT GRANTS

Government grants in respect of capital expenditure are deducted from the cost of the related assets with a consequent reduction in the annual charge for depreciation of those assets.

LEASED ASSETS

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

ELECTRONIC THEATRE CONTROLS EUROPE, LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover	1	3,836,709	2,750,715
Cost of sales		(2,458,140)	(1,840,703)
Gross profit		<u>1,378,569</u>	<u>910,012</u>
Distribution costs		(29,541)	(92,582)
Administrative expenses		(1,527,120)	(1,026,307)
Other operating income		1,635	-
Operating loss		<u>(176,457)</u>	<u>(208,877)</u>
Interest receivable and similar income		(14,137)	(24,189)
Interest payable and similar charges		(12,467)	(248)
Loss on ordinary activities before taxation	1	<u>(203,061)</u>	<u>(233,314)</u>
Tax on loss on ordinary activities	3	-	-
Loss transferred from reserves	10	<u>(203,061)</u>	<u>(233,314)</u>

There were no recognised gains or losses other than the loss for the financial year.

ELECTRONIC THEATRE CONTROLS EUROPE, LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Note	1997 £	1997 £	1996 £	1996 £
Fixed assets					
Tangible assets	4		296,422		252,799
Current assets					
Stocks	5	906,769		688,242	
Debtors	6	832,413		661,791	
Cash at bank and in hand		152,288		116,120	
		1,891,470		1,466,153	
Creditors: amounts falling due within one year	7	(2,412,246)		(1,755,221)	
Net current liabilities			(520,776)		(289,068)
Total assets less current liabilities			(224,354)		(36,269)
Creditors: amounts falling due after more than one year	8		(260,734)		(245,758)
			(485,088)		(282,027)
Capital and reserves					
Called up share capital	9		274,000		274,000
Profit and loss account	10		(759,088)		(556,027)
Shareholders' funds	11		(485,088)		(282,027)
Equity shareholders' funds			(743,088)		(540,027)
Non-equity shareholders' funds			258,000		258,000
			(485,088)		(282,027)

The financial statements were approved by the Board of Directors on 11 March 1998.

F Foster



Director

The accompanying accounting policies and notes form an integral part of these financial statements.

ELECTRONIC THEATRE CONTROLS EUROPE, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

71% (1996 : 67%) of the company's turnover for the year is attributable to geographical markets outside the United Kingdom.

The loss on ordinary activities is stated after:

	1997 £	1996 £
Auditors' remuneration	10,000	9,000
Depreciation	95,395	57,946
Provisions for bad and doubtful debts	273,196	60,000
Exchange differences on foreign currency borrowings	(14,976)	(25,050)

2 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1997 £	1996 £
Wages and salaries	482,159	371,758
Social security costs	59,634	32,600
Other pension costs	12,083	-
	553,876	404,358

The average number of employees of the company during the year were as follows:

	1997 Number	1996 Number
Production	13	9
Selling and distribution	9	5
Administration	6	5
	28	19

Remuneration in respect of directors was as follows:

	1997 £	1996 £
Emoluments	131,749	93,375
Pension contributions to money purchase pension schemes	1,278	-
	133,027	93,375

During the year one director (1996: one) participated in a money purchase pension scheme.

3 TAX ON LOSS ON ORDINARY ACTIVITIES

No charge to taxation arises as a result of losses incurred in the period.

ELECTRONIC THEATRE CONTROLS EUROPE, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

4 TANGIBLE FIXED ASSETS

	Leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 January 1997	171,486	28,338	21,750	97,858	319,432
Additions	55,191	14,295	-	74,044	143,530
	226,677	42,633	21,750	171,902	462,962
Disposals	-	(1,584)	-	-	(1,584)
At 31 December 1997	226,677	41,049	21,750	171,902	461,378
Depreciation					
At 1 January 1997	33,145	1,787	6,443	28,257	69,632
Provided in the year	52,844	6,946	3,838	31,767	95,395
At 31 December 1997	85,989	8,733	10,281	60,024	165,027
Eliminated on disposals	-	(71)	-	-	(71)
At 31 December 1997	85,989	8,662	10,281	60,024	164,956
Net book amount at 31 December 1997	140,688	32,387	11,469	111,878	296,422
Net book amount at 31 December 1996	138,341	26,551	15,307	69,601	249,800

Short leasehold improvements are stated net of a government grant of £15,000.

5 STOCKS

	1997 £	1996 £
Raw materials and consumable stores	173,811	165,705
Finished goods and goods for resale	732,958	522,537
	906,769	688,242

ELECTRONIC THEATRE CONTROLS EUROPE, LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

6 DEBTORS

	1997 £	1996 £
Trade debtors	778,518	574,413
Other debtors	11,969	51,456
Prepayments and accrued income	41,926	35,922
	<u>832,413</u>	<u>661,791</u>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Trade creditors	117,525	159,967
Amounts owed to group undertakings	2,015,320	1,355,370
Social security and other taxes	22,113	27,519
Other creditors	-	1,221
Accruals and deferred income	257,288	211,144
	<u>2,412,246</u>	<u>1,755,221</u>

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £	1996 £
Amounts owed to group undertakings	<u>260,734</u>	<u>245,758</u>

9 SHARE CAPITAL

	1997 £	1996 £
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
258,000 preference shares of £1 each	258,000	258,000
	<u>358,000</u>	<u>358,000</u>
Allotted, called up and fully paid		
16,000 ordinary shares of £1 each	16,000	16,000
258,000 preference shares of £1 each	258,000	258,000
	<u>274,000</u>	<u>274,000</u>

ELECTRONIC THEATRE CONTROLS EUROPE, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

Non-equity shares

The preference shares are non-equity shares. They carry no right to dividend or interest. They are redeemable at par on 16 May 2001, or earlier at the option of the company. Preference shareholders have the right on a winding-up to receive, in priority to any other class of shares, the capital paid on the shares. They are not entitled to vote at a general meeting of the company other than on a resolution for the winding-up of the company or reduction of its share capital, the sale of the undertaking of the company, alteration of the objects clause of the memorandum of association, or the variation or abrogation of preference share rights.

10 RESERVES

	Profit and loss account £
At 1 January 1997	(556,027)
Retained loss for the year	(203,061)
At 31 December 1997	<u>(759,088)</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Loss for the financial year	(203,061)	(233,314)
Issue of shares	-	258,000
Net decrease in shareholders' funds	(203,061)	24,686
Shareholders' funds at 1 January 1997	(282,027)	(306,713)
Shareholders' funds at 31 December 1997	<u>(485,088)</u>	<u>(282,027)</u>

12 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1997 or 31 December 1996.

13 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 1997 or 31 December 1996

ELECTRONIC THEATRE CONTROLS EUROPE, LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

14 LEASING COMMITMENTS

Operating lease payments amounting to £50,512 (1996: £37,166) are due within one year. The leases to which these amounts relate expire as follows:

	1997		1996	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	-	2,618	-	-
Between one and five years	10,500	5,464	-	5,236
In five years or more	31,930	-	31,930	-
	<u>42,430</u>	<u>8,082</u>	<u>31,930</u>	<u>5,236</u>

15 TRANSACTIONS WITH RELATED PARTIES

The company purchased goods from the parent undertaking during the year in the normal course of business at a total value of £1,982,647 (1996: £575,852). The company sold goods to the parent undertaking during the year in the normal course of business at a total value of £182,185 (1996: £61,809).

16 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of this company is Electronic Theatre Controls International, Inc incorporated in the USA.