

LANTERN FILM & VIDEO LTD.

DIRECTOR'S REPORT & ACCOUNTS

FOR THE PERIOD

19TH FEBRUARY TO 31ST DECEMBER 1996



**TAX WORLD LIMITED
APPLEDORE
BRYANTS BOTTOM ROAD
GREAT MISSENDEN
BUCKS
HP16 0JS**

LANTERN FILM & VIDEO LTD.
DIRECTOR'S REPORT & ACCOUNTS
FOR THE PERIOD
19TH FEBRUARY TO 31ST DECEMBER 1996

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LANTERN FILM & VIDEO LTD.

REPORT OF THE DIRECTORS

FOR THE PERIOD 19TH FEBRUARY TO 31ST DECEMBER 1996

The directors submit their report and the accounts for the period ended 31st December 1996.

Statement of 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 and 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;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements;
- and
- prepare 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.

Principal activities

The principal activities of the company during the period under review was production of the video "The Outsider", and the production of corporate videos the marketing of the videos entitled "The Intruder", "The Rescuer" and "The Outsider", the collection of royalties of these videos and distribution of these royalties to the financiers.

Review of the business

A summary of the results for the period is given on page 4 of the accounts. The directors are satisfied with the trading activity.

Dividends

There were no interim dividends paid during the period and the directors do not recommend the payment of a final dividend.

Directors and their interests

The directors at 31st December 1996 and their beneficial interest in the issued ordinary share capital of the company is as follows:-

	Ordinary shares of £1 each At 31st December 1996
M F Pritchard	41,000
Mrs S V Pritchard	10,000
S E Petszajt	49,000

By order of the Directors



Mrs S V Pritchard
Company Secretary
14th November 1997

Registered Office: Raffety House, 2-4 Sutton Court Road, Surrey, SM1 4TN

**ACCOUNTANTS' REPORT TO THE DIRECTOR ON THE UNAUDITED ACCOUNTS OF
LANTERN FILM & VIDEO LTD.**

As described on the balance sheet you are responsible for the preparation of the accounts for the period 19th February to 31st December 1996 set out on pages 4 to 8, and you consider that the company is exempt both from an audit and a report under section 249A(2) of the Companies Act 1985. In accordance with your instructions, we have compiled these unaudited accounts in order to assist you to fulfil your statutory responsibilities, from the accounting records and information supplied to us.

**TAX WORLD LIMITED
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14th November 1997

LANTERN FILM & VIDEO LTD.

PROFIT & LOSS ACCOUNT

FOR THE PERIOD 19TH FEBRUARY TO 31ST DECEMBER 1996

	Notes	1996 £
Turnover	1b/2	21,684
Own work capitalized		
Cost of Goods Sold		(795)
Video & Film Production Expenses		(67,186)
Staff Costs		(24,158)
Administrative expenses		<u>(27,912)</u>
Operating Profit/(loss)		(98,367)
Profit on ordinary activities before taxation		(98,367)
Interest receivable (payable)		4,107
Taxation	7	<u>0</u>
Profit/(Loss) on ordinary activities after taxation		(94,260)
Retained Profit/(loss) for the period		(94,260)
Profit brought forward		0
Profit (losses) carried forward		<u><u>(94,260)</u></u>

All amounts relate to continuing activities.

The profit (loss) on ordinary activities before taxation and the retained profit (loss) have been calculated on the historical cost basis.

The company made no recognised gains or losses in 1996 other than the loss for the period.

The retained loss for the year represents the movement in shareholders' funds.

The notes on pages 6 to 9 form an integral part of these accounts.

LANTERN FILM & VIDEO LTD.

BALANCE SHEET

AS AT 31ST DECEMBER 1996

		1996
	Notes	£
Fixed assets		
Intangible assets	5	22,000
Tangible assets	6	1,828
		<u>23,828</u>
Current assets		
Stock		4,648
Debtors	8	6,311
Cash at bank and in hand		74,598
		<u>85,557</u>
Creditors: Amounts falling due within one year	9	<u>3,645</u>
Net current assets/ (liabilities)		<u>81,912</u>
Total assets less current liabilities		<u>105,740</u>
Creditors amounts due after more than one year	10	100,000
		<u>5,740</u>
Capital and reserves		
Share capital	11	100,000
Profit and loss account		(94,260)
		<u>5,740</u>

The directors considers that the company is entitled to exemption from the requirement to have an audit under the provisions of section 249A(1) of the Companies Act 1985. Shareholders holding 10% or more of the nominal value of the company's issued share capital have not issued a notice requiring an audit. The director acknowledges his responsibility for ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985, and for preparing accounts which give a true and fair view of the state of affairs of the company as at 31st December 1996 and of its loss for the period then ended in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to the accounts so far as applicable to the company.

These accounts were approved by the directors on 14th November 1997.



Mr M F Pritchard - Director

The notes on pages 6 to 9 form an integral part of these accounts.

LANTERN FILM & VIDEO LTD.

NOTES TO THE ACCOUNTS

FOR THE PERIOD 19TH FEBRUARY TO 31ST DECEMBER 1996

1. Accounting policies

- (a) Basis of accounting
The accounts have been prepared under the historical cost convention.
- (b) Turnover
Turnover represents the sale of videos and production services and royalties received and is stated net of Value Added Tax.
- (c) Deferred taxation
No provision is made for deferred taxation because of timing differences between profits as computed for taxation purposes and profits as stated in the accounts except to the extent that such taxation is likely to be payable in the foreseeable future.
- (d) Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Plant & Machinery - 25% reducing balance basis
Motor vehicles - 25% reducing balance basis
- (e) Intangible fixed assets - film production costs are accumulated and written off against revenue generated in future periods.

2. Turnover

Turnover is attributable to the activity carried on mainly within the United Kingdom and consists of the collection of royalties, sales of videos and production services.

3. Profit/(loss) on ordinary activity

The loss on ordinary activity is stated after charging:-

	1996
	£
Directors' Remuneration	24,096
Depreciation	<u>421</u>
Directors' Remuneration	
M.F. Pritchard	21,298
Mrs S.V. Pritchard	2,798
S. E. Petszajt	<u>0</u>
	24,096

4. Staff numbers and costs

There was one staff member employed during the year.

LANTERN FILM & VIDEO LTD.

NOTES TO THE ACCOUNTS

FOR THE PERIOD 19TH FEBRUARY TO 31ST DECEMBER 1996

5. Intangible fixed Assets

Film Production costs	At 11 March 1996 £	Additions £	Write offs	At 31 December 1996 £
Production				
No. 1 A/c " The Outsider"	0	22,000		22,000
No. 2 A/c "Carey Project"	0			0
No. 3 A/c " The Deceiver"	0			0
	<u>0</u>	<u>22,000</u>	<u>0</u>	<u>22,000</u>

6. Tangible fixed assets

	Furniture & Equipment £	Motor Vehicle	Total £
Cost or Valuation:			
Balance at 11 March 1996	0	0	0
Additions in the year	1,249	1,000	2,249
Disposals in year			0
Balance at 31 December 1996	<u>1,249</u>	<u>1,000</u>	<u>2,249</u>
Depreciation:			
Balance at 11 March 1996	0	0	0
Charge for the year	234	187	421
Balance at 31 December 1996	<u>234</u>	<u>187</u>	<u>421</u>
Net book value			
At 31 December 1996	<u>1,015</u>	<u>813</u>	<u>1,828</u>
At 11 March 1996	<u>0</u>	<u>0</u>	<u>0</u>

7. Taxation

	1996 £
Corporation tax at 24%-25% (1995: 25%)	<u>0</u>

LANTERN FILM & VIDEO LTD.

NOTES TO THE ACCOUNTS

FOR THE PERIOD 19TH FEBRUARY TO 31ST DECEMBER 1996

8. Debtors

Amounts falling due within one year	1996
	£
Trade Debtors	5,361
Prepayments	950
	<u>6,311</u>

9. Creditors

CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996
	£
Trade Creditors	3,145
Accruals	500
	<u>3,645</u>

10. Creditors amounts falling due after more than one year

	1996
	£
Production: No.1 a/c "The Outsider"	
Production: No.2 a/c "Carey Project"	
Production: No.3 a/c "Runaways"	
Film Finance: Unspecified	
Capital Introduced	100,000
	<u>100,000</u>

LANTERN FILM & VIDEO LTD.

NOTES TO THE ACCOUNTS

FOR THE PERIOD 19TH FEBRUARY TO 31ST DECEMBER 1996

11. Share capital

	1996
	£
Authorised ordinary shares of £1 each	<u>150,000</u>
Issued and fully paid 100,000 shares of £1 each	<u>100,000</u>

The shares were issued at par for cash

12. Directors transactions

M F Pritchard has received £22,000 for production services on production account no. 1

13. Related party transactions

M F Pritchard and Mrs S V Pritchard are also directors and shareholders of Lantern Productions Limited company no. 1795019.

Lantern Film & Video Ltd. has hired equipment from Lantern Productions Limited.

Total value of transactions in the period	<u>6071</u>
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Amount due from / (to) Lantern Productions Limited at the balance sheet date	<u>992</u>
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