

**VIS entertainment plc**

**Report and financial statements  
For the year ended 30 November 2001**

**Registered in Scotland 160499**



# **VIS entertainment plc**

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# **VIS entertainment plc**

## **Company Information**

<b>Non executive chairman</b>	Ken Lewandowski Les Edgar	(appointed 21 June 2001) (resigned 4 July 2001)
<b>Executive directors</b>	Christiaan van der Kuyl Timothy Gatland Peter Baillie	(resigned 7 March 2002)
<b>Non executive directors</b>	Alexander Catto Ian Ritchie William McCall John Boyle	(resigned 21 June 2001)
<b>Company secretary</b>	Peter Baillie	
<b>Registered office</b>	130 St Vincent Street Glasgow G2 5HF	
<b>Auditors</b>	KPMG LLP Chartered Accountants Saltire Court 20 Castle Terrace Edinburgh EH1 2EG	
<b>Solicitors</b>	McGrigor Donald Princes Exchange 1 Earl Grey Street Edinburgh EH3 9AQ	
<b>Bankers</b>	Bank of Scotland PO Box 18 1 Bothwell Street Dunfermline KY11 3AG	

# **VIS entertainment plc**

## **Directors' report for the year ended 30 November 2001**

The directors hereby present their annual report and audited financial statements for the year ended 30 November 2001.

### **Principal activities**

*The principal activity of the Group was computer interactive games development.*

### **Results and dividends**

The Group's loss for the year amounted to £2,886k (2000 - £2,934k). The directors do not recommend the payment of a dividend (2000 - Nil).

### **Review of business and future developments**

During the year, the Group continued its games development activities in studios in Dunfermline, Dundee and the Isle of Wight. It also continued its specialist animation operation, AXIS Animation, in Glasgow and its joint venture with Flextech Television, VIS iTV Limited, in Dundee and London.

Sales increased by £1million to £3.6m and, although operating losses reduced only marginally for the full year, increased efficiency led to trading in the latter stages of the year close to breakeven.

In the first half of the current year (to 31 May 2002) the company made a small profit on its operations and this trend is expected to continue. The company expects to benefit from significant income in the second half of the year generated by sales of the VIS originated game *State of Emergency*, which led the charts in both the US and UK on release. The directors believe that *State of Emergency* has established a valuable franchise which, coupled with other games under development, provides a positive outlook for the future of the company.

### **Directors**

The directors of the Company at the date of this report are shown on page 1.

### **Directors' interests**

The interests of the directors in the shares of the Company at 30 November 2001 (and 30 November 2000) were as follows:

	<b>Ordinary shares</b>	
	<b>2001</b>	<b>2000</b>
Christiaan van der Kuyl	<b>445,500</b>	445,500
John Boyle	<b>208,153</b>	208,153
John Boyle (held in trust)	<b>208,317</b>	208,317
Peter Baillie	<b>346,500</b>	346,500
Ian Ritchie	<b>305,796</b>	305,796
Alex Catto	<b>6,049</b>	4,574
Alex Catto (as trustee)	<b>105,957</b>	100,957

## **VIS entertainment plc**

### **Directors' report for the year ended 30 November 2001 (continued)**

#### **Directors' interests (continued)**

The following directors are grantees under the terms of an option agreement of 16 October 1996. The option is over 'A' ordinary shares of the Company issued to subscribers on 16 October 1996. The exercise of the option would not affect the share capital of the Company. As at 30 November 2001 (and 20 November 2000) the directors' interests were as follows:

	<b>Number of 'A' ordinary shares under option</b>	
	<b>2001</b>	<b>2000</b>
Christiaan van der Kuyl	<b>27,001</b>	27,001
Peter Baillie	<b>21,001</b>	21,001
Ian Ritchie	<b>18,182</b>	18,182

All issued options as at 30 November 2001 have an exercise price of £1.10 and are exercisable upon a listing or sale of all or substantially all of the shares or business and assets of the company

In addition to the above, Christiaan van der Kuyl was granted the following share options over ordinary shares under the VIS entertainment plc Unapproved Share Option Scheme 2000 and the VIS entertainment plc Enterprise Management Incentive (EMI) Scheme on 5 September 2000.

	<b>Number of 'A' ordinary shares under option</b>	
	<b>Unapproved scheme</b>	<b>EMI Scheme</b>
Christiaan van der Kuyl	104,714	20,000

The Unapproved Scheme and the EMI Scheme options have an exercise price of £1.10. The expiry date of these options is 5 September 2010.

#### **Directors' interests in contracts**

None of the directors had an interest in contracts.

#### **Creditors payment policy**

It is Group policy to pay its suppliers in accordance with the terms of trade, which may be agreed at the time of the order.

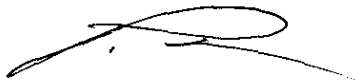
## **VIS entertainment plc**

### **Directors' report for the year ended 30 November 2001 (continued)**

#### **Auditors**

Our auditors KPMG transferred their business to a limited liability partnership, KPMG LLP on 3 May 2002. Accordingly KPMG resigned as auditors and the directors thereupon appointed KPMG LLP to fill the vacancy arising. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Peter Baillie  
*Secretary*  
5 June 2002

## **VIS entertainment plc**

### **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 or loss 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# **VIS entertainment plc**

## **KPMG LLP**

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

### **Independent auditors' report to the members of VIS entertainment plc for the year ended 30 November 2001**

We have audited the financial statements on pages 7 to 26.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

#### **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 30 November 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

KPMG LLP  
Chartered Accountants  
Registered Auditors

Date: *28 June 2002*



## VIS entertainment plc

### Group profit and loss account for year ended 30 November 2001

	Notes	2001 £000's	2000 £000's
<b>Turnover: Group and share of joint ventures</b>	1	<b>3,566</b>	2,588
Less: Share of joint ventures turnover		-	-
<b>Group turnover</b>		<b>3,566</b>	2,588
Cost of sales		(4,743)	(3,929)
<b>Gross loss</b>		<b>(1,177)</b>	(1,341)
Selling and administrative expenses		(1,433)	(1,532)
Other operating income		152	-
<b>Group operating loss</b>		<b>(2,458)</b>	(2,873)
Share of operating loss in joint venture		(394)	-
<b>Operating loss</b>		<b>(2,852)</b>	(2,873)
Interest receivable and similar income		51	63
		<b>(2,801)</b>	(2,810)
Interest payable and similar charges	5	(190)	(124)
<b>Loss on ordinary activities before taxation</b>	2	<b>(2,991)</b>	(2,934)
Taxation	6	105	-
<b>Retained loss for the year</b>	19	<b>(2,886)</b>	(2,934)

### Statement of total recognised gains and losses for year ended 30 November 2001

	2001 £000's	2000 £000's
<b>Loss after tax for the financial year:</b>		
Group	(2,492)	(2,934)
Share of joint venture	(394)	-
	<b>(2,886)</b>	(2,934)

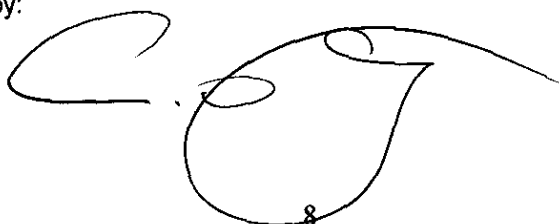
# VIS entertainment plc

## Group balance sheet at 30 November 2001

	Notes	2001 £000's	2000 £000's
<b>Fixed Assets</b>			
Intangible assets	7	231	293
Tangible assets	9	955	1,010
Investments in joint ventures:			
Share of gross assets	11	283	-
Share of gross liabilities	11	(127)	-
		<u>156</u>	<u>-</u>
Other investments	11	20	20
		<u>1,362</u>	<u>1,323</u>
<b>Current assets</b>			
Debtors	12	2,835	1,688
Cash at bank and in hand		74	451
		<u>2,909</u>	<u>2,139</u>
<b>Creditors: amounts falling due within one year</b>	13	(2,890)	(1,264)
<b>Net current assets</b>		<u>19</u>	<u>875</u>
<b>Total assets less current liabilities</b>		<b>1,381</b>	<b>2,198</b>
<b>Creditors: amounts falling due after more than one year</b>	14	(267)	(1,571)
<b>Deferred income</b>	15	(213)	(25)
<b>Net assets</b>		<u><b>901</b></u>	<u><b>602</b></u>
<b>Capital and reserves</b>			
Called up share capital	17	469	414
Share premium account	19	9,624	6,494
Profit and loss account	19	(9,192)	(6,306)
<b>Total equity shareholders' funds</b>		<u><b>901</b></u>	<u><b>602</b></u>

The financial statements on page 7 to 26 were approved by the board of directors on 5 June 2002 and were signed on its behalf by:

Christiaan van der Kuyl  
Director



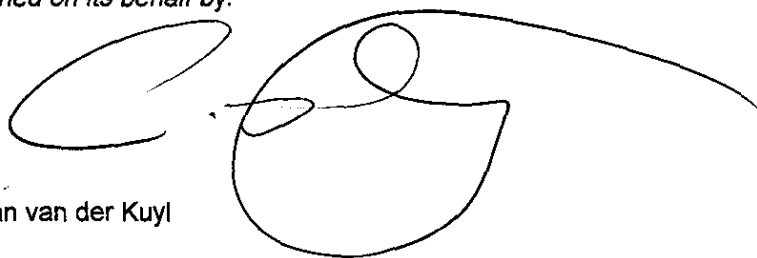
# VIS entertainment plc

## Company balance sheet at 30 November 2001

	Notes	2001 £000's	2000 £000's
<b>Fixed Assets</b>			
Intangible assets	8	11	-
Tangible assets	10	520	527
Investments in joint venture	11	156	-
Other investments	11	51	51
		<u>738</u>	<u>578</u>
<b>Current assets</b>			
Debtors	12	5,184	2,694
Cash at bank and in hand		70	450
		<u>5,254</u>	<u>3,144</u>
<b>Creditors: amounts falling due within one year</b>	13	<b>(2,955)</b>	<b>(964)</b>
<b>Net current assets</b>		<u><b>2,299</b></u>	<u><b>2,180</b></u>
<b>Total assets less current liabilities</b>		<u><b>3,037</b></u>	<u><b>2,758</b></u>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(252)</b>	<b>(1,533)</b>
<b>Deferred income</b>	15	<b>(213)</b>	<b>(25)</b>
<b>Net assets</b>		<u><u><b>2,572</b></u></u>	<u><u><b>1,200</b></u></u>
<b>Capital and reserves</b>			
Called up share capital	17	469	414
Share premium account	19	9,624	6,494
Profit and loss account	19	(7,521)	(5,708)
<b>Total equity shareholders' funds</b>		<u><u><b>2,572</b></u></u>	<u><u><b>1,200</b></u></u>

The financial statements on page 7 to 26 were approved by the board of directors on 5 June 2002 and were signed on its behalf by:

Christiaan van der Kuyl  
Director



# VIS entertainment plc

## Group cash flow statement for the year ended 30 November 2001

	Notes	2001 £000's	2000 £000's
<b>Net cash outflow from operating activities</b>	20	<b>(3,412)</b>	<b>(3,061)</b>
<b>Returns on investment and servicing of finance</b>			
Interest received		51	63
Bank interest paid		(152)	(76)
Loan stock interest paid		(18)	(18)
Interest element of finance lease rental payments		(20)	(28)
		<u>(139)</u>	<u>(59)</u>
<b>Taxation</b>			
Tax credit received		105	-
		<u>105</u>	<u>-</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(391)	(879)
Sale of tangible fixed assets		8	-
Investment		(550)	(10)
		<u>(933)</u>	<u>(889)</u>
<b>Net cash outflow before financing</b>		<b>(4,379)</b>	<b>(4,009)</b>
<b>Financing</b>			
Issue of ordinary share capital	18	3,217	1,979
Expense of share issues	18	(32)	(19)
Net movement in loans		643	1,107
Net movement in finance leases		(68)	194
Grant received		250	-
		<u>4,010</u>	<u>3,261</u>
<b>Net cash inflow from financing</b>		<b>4,010</b>	<b>3,261</b>
<b>Decrease in cash</b>	21	<b>(369)</b>	<b>(748)</b>

# **VIS entertainment plc**

## **Notes to the financial statements for the year ended 30 November 2001**

### **1 Principal accounting policies**

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the accounting policies, which have been applied consistently, is set out below.

#### **Basis of consolidation**

The consolidated accounts deal with the accounts for the group made for the year ended 30 November 2001. The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 not to present a profit and loss account for VIS entertainment plc, the parent Company. In accounting for all subsidiaries, the Group consolidates fully their assets, liabilities and post-acquisition results using the acquisition method of accounting. All inter-company balances and transactions are eliminated from the consolidated statements.

On acquisition of a business, all of the acquired assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

#### **Tangible fixed assets**

Fixed assets are stated at cost less aggregate depreciation. Depreciation is calculated to write off fixed assets over their original estimated useful lives at the following annual rates:

Land	Nil
Buildings	40 years straight line
Motor vehicles	3 years straight line
Office equipment, furniture and fittings	5 years straight line
Computer equipment and software	3 years straight line

#### **Goodwill**

Goodwill is the excess of cost over fair value of the Group's share of net tangible assets acquired. Goodwill arising on the acquisition of the subsidiary has been capitalised on the balance sheet and will be amortised on a straight line basis over the directors' estimate of the useful economic life of the business acquired.

#### **Stock and work in progress and debtors**

Stock and work in progress are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes overheads appropriate to the stage of development. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion. Provision is made for obsolete and slow moving items.

Long term contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract, and the credit taken for profit earned to the date when the outcome of the contract can be assessed with reasonable certainty. The amount by which turnover exceeds payments on account is classified as "amounts recoverable on contracts" and included in debtors: to the extent that payments on account exceed relevant turnover, the excess is included as a creditor.

# **VIS entertainment plc**

## **Notes to the financial statements for the year ended 30 November 2001 (continued)**

### **1 Principle accounting policies (continued)**

#### **Investments**

Investments are stated in the balance sheet of the Company at cost.

#### **Grants**

Grants on capital expenditure are credited to a deferral account and are released to revenue by equal annual amounts over the expected useful life of the assets to which they relate. Grants of a revenue nature are credited to income in the period to which they relate.

#### **Deferred taxation**

Taxation deferred or accelerated by the effect of timing differences is accounted for on the liability method to the extent that it is probable that a liability will crystallise.

#### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Differences on exchange are taken to the profit and loss account in the year in which they arise.

#### **Leased assets**

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Finance lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are treated as "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

#### **Turnover**

Turnover represents the value, net of Value Added Tax, of goods sold and services provided to customers and, in the case of long term contracts, turnover is ascertained in a manner appropriate to the stage of completion of the contract, and credit taken for profit earned to the date when the outcome of the contract can be assessed with reasonable certainty.

#### **Research and development**

The costs of research are expensed as incurred. Development costs incurred in relation to speculative projects in respect of which there is no contractual commitment from a publisher are expensed as incurred. Both of these categories are treated as research and development for disclosure purposes. Development costs incurred in relation to projects undertaken on behalf of publishers are included within the cost of such projects and accounted for in accordance with the accounting policy for stocks and work in progress set out above. These are excluded from the disclosure of research and development costs.

# VIS entertainment plc

## Notes to the financial statements for the year ended 30 November 2001 (continued)

### 1 Principle accounting policies (continued)

#### Pension

The Company contributes 10% of certain directors' salaries to their personal pension plans on a defined contribution basis. Contributions are expensed as they are incurred. The Company also operates two salary sacrifice money purchase pension schemes on behalf of employees. It does not contribute to these schemes.

### 2 Loss on ordinary activities before taxation

	2001 £000's	2000 £000's
Loss on ordinary activities before taxation has been arrived at after charging/(crediting):		
Auditors' remuneration – audit services	10	22
Auditors' remuneration – non-audit services	10	151
Research and development	603	644
Depreciation:		
Tangible owned assets	329	322
Tangible fixed assets held under finance lease	108	29
Intangible assets	2	-
Capital release of grant income	(62)	(50)
Amortisation of goodwill	73	70
Operating lease costs – motor vehicles	17	20
Loss on disposal of fixed assets	1	-

### 3 Directors' emoluments

	2001 £000's	2000 £000's
Aggregate emoluments	300	281
Sums paid to third parties for directors' services	13	11
	<u>313</u>	<u>292</u>
Company contributions made to money purchase pension schemes	<u>17</u>	<u>15</u>
Aggregate emoluments and estimated money value of benefits paid to highest paid director were	<u>114</u>	<u>111</u>
Company contributions made to money purchase pension schemes	<u>9</u>	<u>9</u>

There were two directors for whom benefits were accruing under the money purchase scheme (2000 – 2). The money purchase pension scheme in operation for certain executive directors requires the Company to contribute an amount equivalent to 10 per cent of each individual's salary to their personal pension schemes. The amount payable under this arrangement during the year ended 30 November 2001 was £15k (2000 – £15k). Contributions due but unpaid and included within accruals at 30 November 2001 were £24k (2000 – £15k).

## VIS entertainment plc

### Notes to the financial statements for the year ended 30 November 2001 (continued)

#### 4 Employee information

The average number of employees (including executive directors) employed by the group during the year was 113 (2000 – 100).

	2001 £000's	2000 £000's
<b>Staff costs:</b>		
Wages and salaries	3,031	2,735
Social security costs	303	282
	<u>3,334</u>	<u>3,017</u>

The pension scheme for employees other than directors is a non-contributory salary sacrifice agreement and accordingly there is no charge to the profit and loss account in respect of this scheme. All contributions collected are remitted fully at 30 November 2000 and 2001.

#### 5 Interest payable and similar charges

	2001 £000's	2000 £000's
Bank interest payable and similar charges	152	78
Interest on loan stock	18	18
Interest on finance leases	20	28
	<u>190</u>	<u>124</u>

#### 6 Taxation

	2001 £000's	2000 £000's
UK Corporation Tax	-	-
R&D Tax Credit	105	-
	<u>105</u>	<u>-</u>



# VIS entertainment plc

## Notes to the financial statements for the year ended 30 November 2001 (continued)

### 7 Intangible assets - Group

	Goodwill £000's	Other £000's	Total £000's
<b>Cost</b>			
At 1 December 2000	367	-	367
Additions	-	13	13
At 30 November 2001	<u>367</u>	<u>13</u>	<u>380</u>
<b>Amortisation</b>			
At 1 December 2000	74	-	74
Charge for the year	73	2	75
At 30 November 2001	<u>147</u>	<u>2</u>	<u>149</u>
<b>Net book value at 30 November 2001</b>	<u>220</u>	<u>11</u>	<u>231</u>
Net book value at 30 November 2000	<u>293</u>	<u>-</u>	<u>293</u>

Goodwill is being written off in equal annual instalments over its estimated economic life which, in the case of this particular acquisition, is estimated as five years.

### 8 Intangible assets - Company

	Goodwill £000's	Other £000's	Total £000's
<b>Cost</b>			
At 1 December 2000	-	-	-
Additions	-	13	13
At 30 November 2001	<u>-</u>	<u>13</u>	<u>13</u>
<b>Amortisation</b>			
At 1 December 2000	-	-	-
Charge for the year	-	2	2
At 30 November 2001	<u>-</u>	<u>2</u>	<u>2</u>
<b>Net book value at 30 November 2001</b>	<u>-</u>	<u>11</u>	<u>11</u>
Net book value at 30 November 2000	<u>-</u>	<u>-</u>	<u>-</u>

# VIS entertainment plc

## Notes to the financial statements for the year ended 30 November 2001 (continued)

### 9 Tangible fixed assets – group

	Freehold Property £000's	Motor Vehicles £000's	Fixtures & Fittings £000's	Computers & Software £000's	Total £000's
<b>Cost</b>					
At 1 December 2000	317	21	106	1,503	1,947
Additions in year	-	-	25	366	391
Disposals in year	-	(7)	(1)	(7)	(15)
At 30 November 2001	<u>317</u>	<u>14</u>	<u>130</u>	<u>1,862</u>	<u>2,323</u>
<b>Depreciation</b>					
As at 1 December 2000	1	8	49	879	937
Charge for year	9	8	22	398	437
Disposal for year	-	(2)	-	(4)	(6)
At 30 November 2001	<u>10</u>	<u>14</u>	<u>71</u>	<u>1,273</u>	<u>1,368</u>
<b>Net book value at 30 November 2001</b>	<u>307</u>	<u>-</u>	<u>59</u>	<u>589</u>	<u>955</u>
Net book value at 30 November 2000	<u>316</u>	<u>13</u>	<u>57</u>	<u>624</u>	<u>1,010</u>

Equipment net book value includes £223k (2000: £251k) for assets under finance leases. Depreciation charged to the profit and loss account during the period for these assets was £108k (2000: £29k).

### 10 Tangible fixed assets – company

	Motor Vehicles £000's	Fixtures & Fittings £000's	Computers & Software £000's	Total £000's
<b>Cost</b>				
At 1 December 2000	14	94	1,303	1,411
Additions in year	-	23	321	344
Disposals in year	-	-	(7)	(7)
At 30 November 2001	<u>14</u>	<u>117</u>	<u>1,617</u>	<u>1,748</u>
<b>Depreciation</b>				
As at 1 December 2000	7	47	830	884
Charge for year	7	20	321	348
Disposal for year	-	-	(4)	(4)
At 30 November 2001	<u>14</u>	<u>67</u>	<u>1,147</u>	<u>1,228</u>
<b>Net book value at 30 November 2001</b>	<u>-</u>	<u>50</u>	<u>470</u>	<u>520</u>
Net book value at 30 November 2000	<u>7</u>	<u>47</u>	<u>473</u>	<u>527</u>

# VIS entertainment plc

## Notes to the financial statements for the year ended 30 November 2001 (continued)

### 10 Tangible fixed assets – company (continued)

Equipment net book value includes £138k (2000: £194k) for assets under finance leases. Depreciation charged to the profit and loss account during the year for these assets was £80k (2000: £29k).

### 11 Investments

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Investments in joint venture	156	-	156	-
Other investments	20	20	51	51
<b>Total investments</b>	<b>176</b>	<b>20</b>	<b>207</b>	<b>51</b>
<b>Joint venture</b>				
At 1 December 2000	-	-	-	-
Share of losses	(394)	-	(394)	-
Loans to joint venture	550	-	550	-
<b>At 30 November 2001</b>	<b>156</b>	<b>-</b>	<b>156</b>	<b>-</b>

The amount included in net assets in respect of joint ventures comprise the following:

	<b>2001</b>	<b>2000</b>
	<b>£000's</b>	<b>£000's</b>
<b>Share of assets</b>		
Share of fixed assets	230	-
Share of current assets	53	-
	<b>283</b>	<b>-</b>
<b>Share of liabilities</b>		
Due within one year	(127)	-
	<b>(127)</b>	<b>-</b>
<b>Share of net assets</b>	<b>156</b>	<b>-</b>

# VIS entertainment plc

## Notes to the financial statements for the year ended 30 November 2001 (continued)

### 11 Investments (continued)

	Accounting Reference date	Principal activity	Holding
VIS Kids Limited	30 November	Dormant	100%
Stainless Technologies Limited	30 November	Computer games developer	100%
Digital Bridges Limited	30 April	Platform and content provided for wireless applications	0.72%
VIS ITV Limited	30 November	Interactive television platforms and content	50%

### 12 Debtors

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Trade debtors	228	296	204	186
Amounts recoverable on contracts	2,583	1,236	2,528	982
Other debtors	11	127	12	119
Amounts due from subsidiary companies	-	-	2,428	1,381
Prepayments and accrued income	13	29	12	26
	<u>2,835</u>	<u>1,688</u>	<u>5,184</u>	<u>2,694</u>

### 13 Creditors: amounts falling due within one year

	Group		Company	
	2001 £000's	2000 £000's	2001 £000's	2000 £000's
Bank overdraft	-	8	-	8
Trade creditors	257	152	255	149
Provisions on contracts	295	400	295	200
Obligations under hire purchase agreements	101	88	76	69
Other tax and social security	79	66	62	7
Bank term loan	1,770	84	1,770	84
Other creditors	2	4	120	-
Accruals	206	462	197	447
Loan stock	180	-	180	-
	<u>2,890</u>	<u>1,264</u>	<u>2,955</u>	<u>964</u>

# VIS entertainment plc

## Notes to the financial statements for the year ended 30 November 2001 (continued)

### 14 Creditors: amounts falling due after more than one year

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Obligations under hire purchase agreements and finance lease commitments	<b>63</b>	144	<b>48</b>	106
Bank term loans	<b>204</b>	1,247	<b>204</b>	1,247
Loan stock	-	180	-	180
	<b>267</b>	<b>1,571</b>	<b>252</b>	<b>1,533</b>

### Finance leases

The finance lease or hire purchase obligations to which the company is committed fall due as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
In one year or less	<b>101</b>	88	<b>76</b>	69
Between one and two years	<b>59</b>	88	<b>44</b>	69
Between two and five years	<b>4</b>	56	<b>4</b>	37
	<b>164</b>	<b>232</b>	<b>124</b>	<b>175</b>

### Loans

	<b>Group</b>		<b>Company</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
In one year or less	<b>1,950</b>	92	<b>1,950</b>	92
Between one and two years	<b>57</b>	1,223	<b>57</b>	1,223
Between two and five years	<b>147</b>	204	<b>147</b>	204
	<b>2,154</b>	<b>1,519</b>	<b>2,154</b>	<b>1,519</b>

A bank loan amounting to £250,000 was received from Bank of Scotland during 1998. This loan is to be repaid over 5 years by 48 equal instalments commencing on 28 July 1999.

The interest rate applied to the loan will be 2% above Bank of Scotland base rate.

A Bond and Floating charge is held by Bank of Scotland over the assets of the company in relation to this loan.

# VIS entertainment plc

## Notes to the financial statements for the year ended 30 November 2001 (continued)

### 14 Creditors: amounts falling due after more than one year (continued)

Other loans were received from 3i (£80,000), Scottish equity Partnership (£80,000) and Noble Grossart (£20,000) in 1998. These loans were repayable on 31 March 2002 or earlier if:

- (a) shares are being quoted on the Stock Exchange; and (b) voting control is no longer held by the members of the company who were shareholders at completion of the funding exercise introducing the loans.

Interest is payable on these loans at a fixed rate of 10%, payable quarterly from 1 May 1999.

Other loans and bank overdrafts are secured over the assets of the company.

The company has a committed working capital facility, dated 20 March 2000, with Bank of Scotland for £1.7 million which can only be used to fund the development of a specific game. The rate of interest applied to the loan, payable monthly, is 4 percent above Bank of Scotland base rate on the cumulative amount drawn down. If the funds are not drawn down, a non-utilisation fee of 0.75% of the amount not drawn is payable. The bank loan drawn down at 30 November 2001 was £1,686,925 (2000: £958,607) and is to be repaid in full on 20 March 2002.

### 15 Deferred income

	Group		Company	
	2001	2000	2001	2000
	£000's	£000's	£000's	£000's
<b>Government grants</b>				
At 1 December 2000	25	75	25	75
Grants received	250	-	250	-
Amortisation	(62)	(50)	(62)	(50)
At 30 November 2001	<u>213</u>	<u>25</u>	<u>213</u>	<u>25</u>

### 16 Deferred tax

A full provision deferred tax asset for the Group and Company exists at 30 November 2001. No provision has been made for the Group and Company for this amount. The total potential asset for both Group and Company is as follows:

	Group		Company	
	Amount unprovided	Amount unprovided	Amount unprovided	Amount unprovided
	2001	2000	2001	2000
	£000's	£000's	£000's	£000's
Depreciation in advance of capital allowances	28	47	28	37
Trading losses carried forward	2,198	1,086	1,746	956
Other timing differences	96	18	96	18
	<u>2,322</u>	<u>1,151</u>	<u>1,870</u>	<u>1,011</u>

# VIS entertainment plc

## Notes to the financial statements for the year ended 30 November 2001 (continued)

### 17 Called up share capital

	2001 £000's	2000 £000's
<b>Authorised</b>		
2,500,000 Ordinary shares of £0.10 each (2000 – 2,500,000)	250	250
3,000,000 'A' ordinary shares of £0.10 each (2000 – 3,000,000)	300	300
600,000 'B' ordinary shares of £0.10 each (2000 – nil)	60	-
	<u>610</u>	<u>550</u>
<b>Allotted, issue and fully paid</b>		
1,512,352 Ordinary shares of £0.10 each (2000 – 1,512,352)	151	151
2,650,592 'A' ordinary shares of £0.10 each (2000 – 2,631,162)	265	263
532,211 'B' ordinary shares of £0.10 each (2000 – nil)	53	-
	<u>469</u>	<u>414</u>

On 29 December 2000, the authorised share capital of the Company was increased to £610,000 divided into 2,500,000 ordinary shares of £0.10 each, 3,000,000 'A' ordinary shares of £0.10 each and 600,000 'B' ordinary shares of £0.10 each by the creation of an additional 600,000 'B' ordinary shares of £0.10 each.

On 16 January 2001 the Company issued 532,211 B ordinary shares of £0.10 with a nominal value of £53,221 at £6.04 per share for a total consideration of £3,214,554 and 19,430 A ordinary shares of £0.10 with a nominal value of £1,943 for nil consideration.

Save as otherwise provided in the Articles, the 'B' ordinary shares, 'A' ordinary shares and ordinary shares rank pari passu in all respects.

The Articles provide the following special rights:

(a) That on a return of assets on liquidation, reduction of capital or otherwise the surplus assets of the Company remaining after payment of its liability shall be applied first in paying to the 'B' ordinary shareholders, before the 'A' ordinary shareholders or ordinary shareholders, an amount equal to the subscription price (inclusive of any premium) paid or credited as paid for such shares together with such amount as is necessary to establish an IRR of twenty per cent (20%).

(b) Immediately prior to a 'Liquidity Event' and on the assumption that such Liquidity Event will proceed immediately thereafter at the anticipated price, if the IRR on conversion of the existing 'B' ordinary shares would be less than 20% per annum, pro-rata, the Company shall by way of capitalisation of reserves or otherwise allot to the 'B' ordinary shareholders a bonus issue of such number of 'B' ordinary shares as shall together with the number of 'B' ordinary shares in issue immediately prior to such bonus issue give an IRR of 20% (or such number as shall be as close as possible to but not less than 20%).

## **VIS entertainment plc**

### **Notes to the financial statements for the year ended 30 November 2001 (continued)**

#### **17 Called up share capital (continued)**

A Liquidity Event means any of the following:

- (a) listing;
- (b) the sale and purchase of shares conferring (whether themselves, together with shares already held by the purchaser or together with shares held by Connected Persons or persons acting in concert (as acting in concert is defined in the City Code on Takeovers and Mergers)), the rights to fifty per cent (50%) or more of the votes at general meeting of the Company (a "Trade Sale"); or
- (c) the obtaining by the Company from a sole party who is not already a member of the Company at the date of adoption of these Articles of immediately available funding in cash in excess of ten million funding (a "Funding Commitment").

#### **Contingent rights to the allotment of shares**

The Company has granted options to subscribe for ordinary and 'A' ordinary shares conditional upon, but with effect immediately prior to, a listing, share sale or asset sale. These options are in favour of certain shareholders and employees.

The options for ordinary shares are for up to 700,000 shares at a price to be determined by the directors. As at 30 November 2001, options for 541,237 (2000 - 642,226) ordinary shares had been granted under three schemes. Options for 350,449 (2000 - 383,010) ordinary shares had been granted between March 1998 and September 2000 under the VIS Unapproved Share Option Scheme, at a price of £1.10. Options for 64,464 (2000 - 111,562) ordinary shares had been granted in September 2000 under the VIS Approved Share Option Scheme, at a price of £5.00. Options for 126,324 (2000 - 147,654) ordinary shares had been granted in September 2000 under the VIS EMI Scheme at a price of £1.10. These options may be exercised upon realisation, which includes listing or trade sale and in any event expire on the seventh anniversary of the date the option is granted.

The options for 'A' ordinary shares are for up to 74,520 (2000 - 74,520) shares at a price of £1.10 per share. These options were granted on 16 October 1996 and may be exercised under the same terms as the ordinary share options noted above.



# VIS entertainment plc

## Notes to the financial statements for the year ended 30 November 2001 (continued)

### 18 Reconciliation of movement in shareholders' funds

	Group		Company	
	2001	2000	2001	2000
	£000's	£000's	£000's	£000's
Opening shareholders' funds				
As previously stated	602	1,464	1,200	1,757
Prior year adjustment	-	112	-	-
Re-stated opening shareholders' funds	602	1,576	1,200	1,757
New share capital subscribed	55	25	55	25
Share premium arising on the issue of shares	3,162	1,954	3,162	1,954
Preliminary and share issue expenses	(32)	(19)	(32)	(19)
Loss for the year	(2,886)	(2,934)	(1,813)	(2,517)
Closing shareholders' funds	901	602	2,572	1,200

### 19 Share premium account and reserves

	Group		Company	
	Share Premium Account	Profit and Loss Account	Share premium account	Profit and loss account
	£000's	£000's	£000's	£000's
At 1 December 2000	6,494	(6,306)	6,494	(5,708)
Premium arising on issue of shares	3,162	-	3,162	-
Preliminary and share issue expenses	(32)	-	(32)	-
Retained loss for the year	-	(2,886)	-	(1,813)
At 30 November 2001	9,624	(9,192)	9,624	(7,521)

# VIS entertainment plc

## Notes to the financial statements for the year ended 30 November 2001 (continued)

### 20 Reconciliation of operating loss to net cash outflow from operating activities

	2001 £000's	2000 £000's
Operating loss	(2,458)	(2,873)
Depreciation charge	437	351
Amortisation of intangibles	75	70
Release of capital grant	(62)	(50)
Increase in debtors	(1,147)	(1,157)
(Decrease)/increase in creditors	(258)	598
Loss on sale of fixed assets	1	-
<b>Cash outflow from operating activities</b>	<b>(3,412)</b>	<b>(3,061)</b>

### 21 Analysis of net funds

	At 1 Dec 2000 £000's	Cash Flow £000's	Other Non cash changes £000's	At 30 Nov 2001 £000's
Cash in hand, at bank	451	(377)	-	74
Overdrafts	(8)	8	-	-
	<u>443</u>	<u>(369)</u>	<u>-</u>	<u>74</u>
Debt due in less than one year	(22)	(1,928)	-	(1,950)
Debt due in more than one year	(1,489)	1,285	-	(204)
Finance leases	(232)	68	-	(164)
	<u>(1,743)</u>	<u>(575)</u>	<u>-</u>	<u>(2,318)</u>
	<u>(1,300)</u>	<u>(944)</u>	<u>-</u>	<u>(2,244)</u>

# VIS entertainment plc

## Notes to the financial statements for the year ended 30 November 2001 (continued)

### 22 Reconciliation of net cash flow to movement in net funds

	2001 £000's	2000 £000's
Decrease in cash in the year	(369)	(748)
Cash inflow from increase in debt and lease financing	(643)	(1,107)
Change in net debt resulting from cash flows	<u>(1,012)</u>	<u>(1,855)</u>
Repayment off/(new) finance leases	68	(194)
Movement in net debt in the year	<u>(944)</u>	<u>(2,049)</u>
Net (debt)/funds at beginning of year	(1,300)	749
Net debt at end of year	<u>(2,244)</u>	<u>(1,300)</u>

### 23 Financial commitments

As at 30 November 2001, the Group had annual commitments under non-cancellable vehicle operating leases expiring as follows:

	2001 £000's	2000 £000's
Within one year	14	14
Within two to five years	13	28
	<u>27</u>	<u>42</u>

### 24 Related party transactions

VIS entertainment plc advanced loans of £138,000 to Stainless Technologies Limited, prior to acquiring the company on 1 November 1999.

The Company has assigned the key man life cover policies of Directors and key individuals to Bank of Scotland as security for the bank loan.

The following summarises the transactions between VIS entertainment plc and its joint venture with Flextech Television Limited, VIS iTV Limited:

	2001 £000's
Loans made to joint venture	<u>550</u>
Sales to joint venture	<u>689</u>

## **VIS entertainment plc**

### **Notes to the financial statements for the year ended 30 November 2001 (continued)**

#### **25 Contingencies**

##### *Contingent liabilities*

In accordance with conventional arrangements in its industry, the Group has entered into contracts which provide for the receipt of development fees in the form of advance royalties from certain publishers. Under certain circumstances these fees are repayable to the publishers and, to this extent, a contingent liability exists. The amount of such advances in respect of contracts which had not received final "gold master" acceptance at 30 November 2001 as £870k (2000 - £1,825k).

The Directors are satisfied that adequate provision has been made within the financial statements for any such amounts which may require to be repaid.