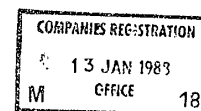


Company No. 1103432

MICHAEL RUTHERFORD LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 1986

Bryce Hanmer & Co.
Chartered Accountants
23 Albemarle Street
Piccadilly
London W1X 4DB



MICHAEL RUTHERFORD LIMITED

REPORT OF THE DIRECTORS

Directors: M.J.C.C. Rutherford
Mrs. A. Rutherford

Secretary: B.H. Company Secretarial Services

Registered Office: 23 Albemarle Street, Piccadilly, London W1X 4DB.

The directors present their report for the year ended 31st December, 1986.

FINANCIAL STATEMENTS AND DIVIDENDS

The directors present the audited financial statements for the year ended 31st December, 1986. The results for the year are shown in the profit and loss account on page 3.

An interim dividend of £1,000 per share was declared and paid on 10th November, 1986. The directors do not recommend the payment of a final dividend.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS DEVELOPMENTS

The principal activity of the Company continued to be in the entertainment field.

Both the level of business and year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year are listed above.

The directors' interests in the ordinary shares of the Company at 31st December, 1986 were as follows :

	<u>Ordinary shares of £1 each</u>
M.J.C.C. Rutherford	99
Mrs. A. Rutherford	1

These holdings were unchanged from 31st December, 1985.

SUBSEQUENT EVENTS

There were no significant events after the balance sheet date which materially affect these financial statements.

CLOSE COMPANY

The Company is a close company within the meaning of the Income and Corporation Taxes Act 1970 and the Finance Act 1972.

AUDITORS

In accordance with Section 384(1) of the Companies Act 1985, a resolution proposing the re-appointment of Bryce Hanmer & Co. as auditors to the Company will be put to the Annual General Meeting.

ON BEHALF OF THE BOARD

.....*[Signature]*.....

Director

Date: 18th September 1987

[Signature]

REPORT OF THE AUDITORS
TO THE MEMBERS OF
MICHAEL RUTHERFORD LIMITED

We have audited the financial statements on pages 3 to 8 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the Company at 31st December, 1986 and of the profit and source and application of funds for the year then ended, and comply with the Companies Act 1985.

31/10/87

Auditors
Chartered Accountants

23 Albemarle Street
Piccadilly
London W1X 4DB

Date: 18th September 1987

MICHAEL RUTHERFORD LIMITED

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER, 1986

	Note	1986 £	1985 £
<u>ROYALTIES, PERFORMANCE AND RELATED INCOME</u>	1(b)	1,427,159	593,355
Royalties payable and related direct costs		(389,621)	(130,892)
<u>NET INCOME</u>		1,037,538	462,463
Administrative expenses		(745,753)	(526,451)
<u>NET OPERATING INCOME/(EXPENDITURE)</u>	2	291,785	(63,988)
Other income	4	36,216	101,502
Interest payable and similar charges	5	(1,288)	(8,119)
<u>PROFIT ON ORDINARY ACTIVITIES</u>		326,713	29,395
Tax on profit on ordinary activities	6	(123,331)	-
<u>PROFIT FOR THE YEAR</u>		<u>£203,382</u>	<u>£29,395</u>

STATEMENT OF RETAINED PROFITS

Balance at 1st January, 1986	163,516	134,121
Profit for the year	203,382	29,395
Dividend proposed and paid for the year £1,000 per share (1985 : nil)	(100,000)	-
Balance at 31st December, 1986	<u>£266,898</u>	<u>£163,516</u>

The notes on pages 6 to 8 form part of these financial statements.

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MICHAEL RUTHERFORD LIMITED

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BALANCE SHEET AS AT 31st DECEMBER, 1986

	Note	1986 £	1985 £
<u>FIXED ASSETS</u>			
Tangible fixed assets	7	156,523	117,205
Investment	8	33	33
		<u>156,556</u>	<u>117,238</u>
<u>CURRENT ASSETS</u>			
Debtors	9	498,784	348,530
Investments	10	111,020	111,020
Cash at bank		335,948	153,275
		<u>945,752</u>	<u>612,825</u>
<u>CREDITORS</u> - amounts falling due within one year	11	(835,310)	(566,447)
<u>NET CURRENT ASSETS</u>		<u>110,442</u>	<u>46,378</u>
<u>NET ASSETS</u>		<u>£266,998</u>	<u>£163,616</u>
<u>REPRESENTED BY :</u>			
<u>SHARE CAPITAL</u>	12	100	100
<u>PROFIT AND LOSS ACCOUNT</u>		<u>266,898</u>	<u>163,516</u>
		<u>£266,998</u>	<u>£163,616</u>

.....

 Directors

Date: 12th September 1987

MICHAEL RUTHERFORD LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31st DECEMBER, 1986

	<u>1986</u>	<u>1985</u>
	£	£
<u>SOURCE OF FUNDS</u>		
Profit on ordinary activities before taxation	326,713	29,395
Adjustment for items not involving the movement of funds :		
Profit on disposal of tangible fixed assets	(16,499)	(1,115)
Depreciation	36,774	25,723
Profit on disposal of investments	-	(2,928)
Funds generated from operations	346,988	51,075
<u>FUNDS FROM OTHER SOURCES</u>		
Proceeds from sale of tangible fixed assets	16,500	8,275
Proceeds from sale of investments	-	35,390
Total source of funds	363,488	94,740
<u>APPLICATION OF FUNDS</u>		
Dividend paid	(100,000)	-
Taxation paid and suffered	(44,479)	(17,547)
Purchase of tangible fixed assets	(76,094)	(14,521)
Purchase of investments	-	(35,390)
<u>INCREASE IN WORKING CAPITAL</u>	<u>£142,915</u>	<u>£27,282</u>
 <u>Represented by movements in :</u>		
Debtors	154,782	148,517
Creditors	(259,843)	184,550
Movement in net liquid funds -		
Cash at bank and term deposits	247,976	(305,785)
	<u>£142,915</u>	<u>£27,282</u>

MICHAEL RUTHERFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER, 1986

1. ACCOUNTING POLICIES(a) Accounting convention

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

(b) Royalties, performance and related income

Royalty, performance and related income is credited on a cash received basis exclusive of value added tax.

(c) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date and exchange differences arising are included in the profit and loss account.

(d) Depreciation of tangible fixed assets

The provision for depreciation is calculated on the cost of the tangible fixed assets in order to write off such costs over their estimated useful lives by equal annual instalments as follows :

Equipment	25%
Motor vehicles	25%
Furniture, fixtures and fittings	25%

(e) Deferred taxation

Deferred taxation is provided using the liability method at the current rate of corporation tax in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

No deferred taxation is provided in these financial statements as the amount involved is not considered to be material to the understanding of these financial statements.

(f) Investments held as current assets

Investments held as current assets are valued at the lower of cost and net realisable value.

2. NET OPERATING INCOME/(EXPENDITURE)

Is stated after charging :

	<u>1986</u>	<u>1985</u>
	£	£
Depreciation	36,774	25,723
Auditors' remuneration	2,000	1,562
	<u> </u>	<u> </u>

3. DIRECTORS' EMOLUMENTS

Emoluments including pension contributions £448,515 £407,001

The highest paid director received
(excluding pension contributions) £200,000
(1985 : £200,000)

	<u>Number</u>	<u>Number</u>
Remuneration in scale :		
£25,001 - £30,000	1	1
£195,001 - £200,000	1	1
	<u> </u>	<u> </u>

MICHAEL RUTHERFORD LIMITED

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 1986
(continued)

4. OTHER INCOME

	1986	1985
	£	£
Bank interest received	10,790	51,130
Taxed interest received on government securities	9,129	8,490
(Loss)/Profit on currency exchange	(202)	33,504
Other fees	-	502
Profit on disposal of tangible fixed assets	16,499	1,115
Profit on disposal of investment	-	2,928
Equipment hire	-	3,833
	<u>£36,216</u>	<u>£101,502</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

Repayable within 5 years		
Bank overdraft interest and charges	£ 818	£ 436
Loan interest	-	6,661
Interest on late payment of corporation tax	190	1,008
Other interest	280	14
	<u>£1,288</u>	<u>£8,119</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Taxation based on profit for the year	£	£
United Kingdom corporation tax at 40% & 35% (1985 : 45% & 40%)	123,592	-
Overprovision in previous year	(261)	-
	<u>£123,331</u>	<u>£-</u>

7. TANGIBLE FIXED ASSETS

	Leasehold property	Furniture fixtures and fittings	Motor vehicles	Equipment	Total
Cost	£	£	£	£	£
At 1st January, 1986	81,271	14,848	36,532	61,049	193,700
Additions	-	191	61,040	14,863	76,094
Disposals	-	-	(31,637)	-	(31,637)
At 31st December, 1986	<u>81,271</u>	<u>15,039</u>	<u>65,935</u>	<u>75,912</u>	<u>238,157</u>
Depreciation					
At 1st January, 1986	-	9,498	32,859	34,138	76,495
Charge for the year	-	3,760	16,494	16,530	36,774
Disposals	-	-	(31,635)	-	(31,635)
At 31st December, 1986	<u>-</u>	<u>13,258</u>	<u>17,708</u>	<u>50,668</u>	<u>81,634</u>
Net book value					
At 31st December, 1986	<u>£81,271</u>	<u>£1,781</u>	<u>£48,227</u>	<u>£25,244</u>	<u>£156,523</u>
At 31st December, 1985	<u>£81,271</u>	<u>£5,350</u>	<u>£3,673</u>	<u>£26,911</u>	<u>£117,205</u>

MICHAEL RUTHERFORD LIMITED

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER, 1986
(continued)

8. UNLISTED INVESTMENT HELD AS FIXED ASSET

This represents 33 per cent of the equity share capital of Fisher Lane Farm Limited, a company incorporated in the United Kingdom, at cost. In the opinion of the directors the market value is not less than cost. The Company has not accounted for this investment as specified in SSAP 1 as to do so would, in the opinion of the directors, involve expense and delay out of proportion to the value of the additional information to the members of the Company.

9. DEBTORS - due within one year

	1986 £	1985 £
Trade debtors	347,647	98,834
Taxation recoverable	-	4,530
Amount due from associated company	150,322	150,409
Prepayments	810	1,029
Other debtors	4	5,651
Directors' current accounts	-	88,077
	<u>£498,783</u>	<u>£348,530</u>

10. INVESTMENTS - CURRENT ASSETS

United Kingdom government securities - quoted

Cost	£111,020	£111,020
Market value	<u>£114,904</u>	<u>£113,616</u>

11. CREDITORS - amounts falling due within one year

	£	£
Bank overdraft (unsecured)	14,990	80,293
Trade creditors	32,751	21,272
Other creditors	-	2,793
Corporation tax payable	74,323	-
Advance corporation tax	40,845	-
Social security and other taxes	659,707	449,398
Directors' current account	7,364	-
Pension fund loan	-	6,661
Accruals	5,330	6,030
	<u>£835,310</u>	<u>£566,447</u>

12. SHARE CAPITAL

Authorised, issued and fully paid
100 ordinary shares of £1 each

£100	£100
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13. CONTINGENT LIABILITIES

There were no significant contingent liabilities at the balance sheet date (1985 : nil).

14. CAPITAL COMMITMENTS

There were no capital commitments at the balance sheet date (1985 : nil).