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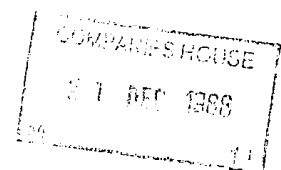
 Touche Ross

MICHAEL RUTHERFORD LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 1987

Touche Ross & Co.
Hill House
1 Little New Street
London
EC4A 3TR



MICHAEL RUTHERFORD LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 31 December 1987.

1. ACTIVITIES

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

2. REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

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.

3. DIVIDENDS AND TRANSFERS TO RESERVES

A final dividend of £600 per share was declared and paid on 24 December 1987. After dividends retained profit of £362,968 (1986 : £103,382) has been transferred to reserves.

4. FIXED ASSETS

Details of fixed assets owned during the year are stated in note 8 to the financial statements.

5. DIRECTORS

The directors who served throughout the year together with their interests, as defined by the Companies Act 1985, in the shares of the company at 1 January 1987 and 31 December 1987 were as follows:

	£1 ordinary shares	
	1 January 1987	31 December 1987
M.J.C.C. Rutherford	99	99
Mrs. A. Rutherford	1	1

MICHAEL RUTHERFORD LIMITED


DIRECTORS' REPORT

6. AUDITORS

Following the dissolution of Bryce Hanmer & Co., Touche Ross & Co. were appointed to fill the casual vacancy arising.

Touche Ross & Co., have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board



Director

1 August 1988

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 **Touche Ross**
Chartered Accountants

MICHAEL RUTHERFORD LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 4 to 11 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1987 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Touche Ross & Co.

Chartered Accountants
London

1 August 1988

Aberdeen, Birmingham, Bracknell, Bristol, Cardiff, Chesham, Crawley, Dartford,
Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes,
Newcastle upon Tyne, Newport, Swansea and Wolverhampton

Principal place of business at which a list of partners' names is available:
Hill House, 1 Little New Street, London EC4A 3TR

Authorised by the Institute of Chartered Accountants in England and Wales
to carry on investment business

MICHAEL RUTHERFORD LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1987

	Note	1987 £	1986 £
Royalties, performance and related income	1(e)	1,999,137	1,427,159
Royalties payable and related direct costs		<u>(278,225)</u>	<u>(389,621)</u>
NET INCOME		1,720,912	1,037,538
Administrative expenses		<u>(1,152,740)</u>	<u>(745,753)</u>
Operating profit		568,172	291,785
Other interest receivable and similar income	3	99,349	36,216
Interest payable and similar charges	4	<u>(1,017)</u>	<u>(1,238)</u>
Profit on ordinary activities before taxation	5	666,504	326,713
Tax on profit on ordinary activities	6	<u>(243,536)</u>	<u>(123,331)</u>
Profit on ordinary activities after taxation		422,968	203,382
Dividends paid	7	(60,000)	(100,000)
Profit and loss account brought forward		<u>266,898</u>	<u>163,516</u>
Profit and loss account carried forward		<u>£ 629,866</u> =====	<u>£ 266,898</u> =====

BALANCE SHEET 31 DECEMBER 1987

The financial statements were approved by the Board of Directors on 1 August 1988

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MICHAEL RUTHERFORD LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS Year ended 31 December 1987

	1987 £	1986 £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	666,504	328,713
Adjustments for items not involving the movements of funds:		
Depreciation	37,557	36,774
Profit on sale of investments	(4,980)	-
Profit on sale of tangible fixed assets	(7,984)	(16,499)
Total generated from operations	691,097	346,988
Proceeds on sale of tangible fixed assets	7,984	16,500
Increase in creditors	-	259,843
Decrease in debtors	281,707	-
Proceeds on sale of investments	116,000	-
	<u>1,096,788</u>	<u>623,331</u>
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	12,659	76,094
Tax paid	104,005	44,479
Dividends paid	60,000	100,000
Increase in debtors	-	154,782
Decrease in creditors	63,140	-
	<u>239,804</u>	<u>375,355</u>
INCREASE IN NET LIQUID FUNDS	£ 856,984 =====	£247,976 =====

(Net liquid funds comprise bank balances less bank loans and overdrafts).

MICHAEL RUTHERFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 1987

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Tangible fixed assets

Depreciation is not provided on leasehold property as required by Statement of Standard Accounting Practice 12, as in the opinion of the directors the market value is in excess of cost and to do so would be misleading.

Depreciation is provided on other tangible fixed assets in equal annual instalments over the estimated useful lives of the assets and is calculated on the cost of the assets.

The following rates are used:

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

(c) Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the 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.

(d) Foreign exchange

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.

Transactions denominated in foreign currencies are translated into sterling at the date of the transaction.

(e) Royalties, performance and related income

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

(f) Investments

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

MICHAEL RUTHERFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 1987

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1987 £	1986 £
Directors' emoluments:		
Fees	469,413	248,513
Pension contributions	<u>401,203</u>	<u>200,000</u>
	£870,616	£448,513
	=====	=====
Remuneration of the highest paid director excluding pension contributions	£400,000	£200,000
	=====	=====
	No.	No.
Scale of other director's remuneration:		
£ 25,001 - £30,000	1	1
	===	===
	£	£
Employee costs (including directors) during the year:		
Wages and salaries	441,056	242,460
Social security costs	45,636	24,966
Other pension costs	<u>401,203</u>	<u>200,000</u>
	£887,895	£467,426
	=====	=====
	No.	No.
Average number of persons employed:		
Administration	<u>4</u>	<u>4</u>
	4	4
	===	===

3. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1987 £	1986 £
Bank interest received	72,339	10,790
Taxed interest received on government securities	5,168	9,129
(Loss) on currency exchange	-	(202)
Profit on disposal of tangible fixed assets	7,984	16,499
Profit on disposal of investments	4,980	-
Interest on late payment of advances	8,300	-
Sundry income	<u>578</u>	<u>-</u>
	£99,349	£36,216
	=====	=====

MICHAEL RUTHERFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 1987

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1987	1986
	£	£
Bank loans and overdrafts repayable within five years	978	818
Interest on late payment of corporation tax	39	190
Other interest	-	280
	<u>£ 1,017</u>	<u>£ 1,288</u>
	=====	=====

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1987	1986
	£	£
Profit on ordinary activities before taxation is after charging:		
Depreciation and other amounts written off tangible and intangible assets	37,557	36,774
Auditors' remuneration	5,500	2,000
	<u>=====</u>	<u>=====</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1987	1986
	£	£
United Kingdom corporation tax at 35% (1986 - 40% and 35%) based on the profit for the year	240,000	123,592
Adjustment to prior years' tax provisions	<u>3,536</u>	<u>(261)</u>
	<u>£243,536</u>	<u>£123,331</u>
	=====	=====

7. DIVIDENDS PAID

	1987	1986
	Per share	£ Per share
Interim dividend	-	1,000
Final dividend	<u>600</u>	<u>-</u>
	<u>£ 600</u>	<u>£ 1,000</u>
	=====	=====

MICHAEL RUTHERFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 1987

8. TANGIBLE FIXED ASSETS

	Leasehold property £	Furniture, fixtures and fittings £	Motor vehicles £	Equipment £	Total £
Cost:					
At 1 January 1987	81,271	15,039	65,935	75,912	238,157
Additions	-	2,061	-	10,598	12,659
Disposals	-	-	-	(22,893)	(22,893)
At 31 December 1987	<u>81,271</u>	<u>17,100</u>	<u>65,935</u>	<u>63,617</u>	<u>227,923</u>
Depreciation:					
At 1 January 1987	-	13,258	17,708	50,668	81,634
Charge for the year	-	2,200	16,484	18,873	37,557
Disposals	-	-	-	(22,893)	(22,893)
At 31 December 1987	<u>-</u>	<u>15,458</u>	<u>34,192</u>	<u>46,648</u>	<u>96,298</u>
Net book value:					
At 31 December 1987	<u>£81,271</u>	<u>£ 1,642</u>	<u>£31,743</u>	<u>£16,969</u>	<u>£131,625</u>
At 31 December 1986	<u>£81,271</u>	<u>£ 1,781</u>	<u>£48,227</u>	<u>£25,244</u>	<u>£156,523</u>

9. 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 SSAP1 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.

10. DEBTORS

	1987 £	1986 £
Trade debtors	12,744	347,648
Due within one year	200,213	150,322
Amounts owed by associated company	2,735	4
Other debtors	<u>1,385</u>	<u>810</u>
Prepayment and accrued income	<u>£217,077</u>	<u>£498,784</u>

MICHAEL RUTHERFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 1987

11. INVESTMENTS	1987	1986
United Kingdom government securities - quoted		
Cost	£ - =====	£111,020 =====
Market value	£ - =====	£114,904 =====
12. BANK LOANS AND OVERDRAFTS	1987	1986
Unsecured	£ - =====	£14,990 =====
13. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY	1987 £	1986 £
Corporation tax	213,854	74,323
Advance corporation tax	22,192	40,845
Social security and other taxes	342,534	659,707
Directors' current account	<u>310,638</u>	<u>7,364</u>
	£889,218 =====	£782,239 =====
14. CALLED UP SHARE CAPITAL	1987 £	1986 £
Authorised: 100 ordinary shares of £1 each	£ 100 =====	£ 100 =====
Allotted and fully paid: 100 ordinary shares of £1 each	£ 100 =====	£ 100 =====
15. CAPITAL COMMITMENTS		
There were no capital commitments at the balance sheet date (1986 : Nil).		
16. CONTINGENT LIABILITIES		
There were no significant contingent liabilities at the balance sheet date (1986 : Nil).		