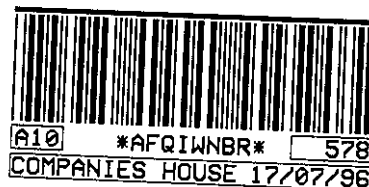


Tooth 'n' Claw Limited

Directors' report and consolidated financial statements

31 August 1995

Registered number 1579073



Tooth 'n' Claw Limited

Directors' report and consolidated financial statements

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Tooth 'n' Claw Limited

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 August 1995.

Principal activities

The principal activities of the group are the production of programmes for television and related activities. The company has not traded during the year.

Business review

The results of the group for the year are set out on page 6.

The group's objective remains the continued development of new television projects.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend (1994: *£nil*). An amount of £15,000 representing the retained profit for the year (1994: *loss £22,000*) has been transferred to reserves.

Significant changes in fixed assets

Movements in fixed assets are set out in notes 6 and 7 to the financial statements.

Directors and directors' interests

The directors who held office during the year were as follows:

R Law	(Chairman)
J Beresford	(resigned 31.5.95)
R Bennett	

Mr R Law owned 67 shares in the company throughout the year. Neither of the other directors have any beneficial interests in the company.

Part of the services of Mr R Law were provided through Ball and Chain Limited, a company owned by him. Amounts relating to the provision of these services are included in note 3 to the financial statements.

Donations

The group made charitable donations during the year of £250 (1994: *£765*).

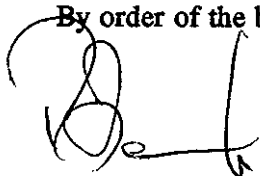
Tooth 'n' Claw Limited

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



R Bennett
Director

1 Old Burlington Street
London
W1X 1LA

12 MARCH 1996

Tooth 'n' Claw Limited

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 group 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 group will continue in business.

The directors are responsible for maintaining 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 group and to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Tooth 'n' Claw Limited

We have audited the financial statements on pages 6 to 22.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of 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 group'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.

Fundamental uncertainty: going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the continuation of the group's principal activity, being the production of the "Spitting Image" television series, and the extent of diversification into other business areas.

Details of the circumstances relating to this inherent uncertainty are described in Note 1 to these financial statements. We consider that, in view of the matter referred to in Note 1, there is a significant level of concern as to the appropriateness of the going concern basis. However, our opinion is not qualified in this respect.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Tooth 'n' Claw Limited *(continued)*

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 August 1995 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG'.

KPMG
Chartered Accountants
Registered Auditors

15 March 1996

Tooth 'n' Claw Limited

Consolidated profit and loss account for the year ended 31 August 1995

	<i>Note</i>	1995 £000	1994 £000
Turnover	<i>1</i>	3,874	5,314
Cost of sales		(2,807)	(3,950)
Gross profit		1,067	1,364
Administrative expenses		(1,111)	(1,386)
Operating loss		(44)	(22)
Interest receivable		14	18
Loss on ordinary activities before taxation	<i>2-4</i>	(30)	(4)
Tax on loss on ordinary activities	<i>5</i>	45	(18)
Profit/(loss) on ordinary activities after taxation and retained for the financial year		15	(22)
Retained profit/(loss) for the financial year			
The company		19	-
Group undertakings		(4)	(22)
		15	(22)

A statement of total recognised gains and losses has not been included as part of these financial statements as the group made no gains or losses in the year other than those disclosed above in the profit and loss account.

A note on historical cost profits and losses has not been included as part of these financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

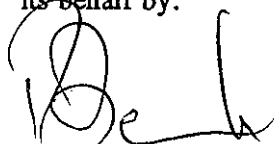
The results stated above are all derived from continuing operations.

Tooth 'n' Claw Limited

Consolidated balance sheet at 31 August 1995

	Note	1995 £000	1994 £000
Fixed assets			
Tangible assets	6	170	141
Investments	7	-	6
		<u>170</u>	<u>147</u>
Current assets			
Stocks	8	119	184
Debtors	9	273	248
Cash at bank and in hand		120	164
		<u>512</u>	<u>596</u>
Creditors: amounts falling due within one year	10	(591)	(667)
Net current liabilities		<u>(79)</u>	<u>(71)</u>
Total assets less current liabilities		<u>91</u>	<u>76</u>
Creditors: amounts falling due after more than one year	10	(75)	(75)
Net assets		<u>16</u>	<u>1</u>
Capital and reserves			
Called up share capital	11	1	1
Profit and loss account	12	15	-
Shareholders' funds	13	<u>16</u>	<u>1</u>

These financial statements were approved by the board of directors on 12/3/96 and were signed on its behalf by:



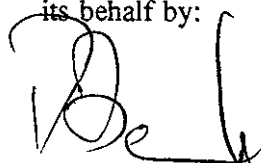
R Bennett
Director

Tooth 'n' Claw Limited

Parent company balance sheet
at 31 August 1995

	Note	1995		1994	
		£000	£000	£000	£000
Fixed assets					
Investments	7		96		96
Creditors: amounts falling due within one year	10	(1)		(20)	
Net current liabilities			(1)		(20)
Total assets less current liabilities			95		76
Creditors: amounts falling due after more than one year	10		(75)		(75)
Net assets			20		1
Capital and reserves					
Called up share capital	11		1		1
Profit and loss account	12		19		-
Shareholders' funds (attributable to equity interests)	13		20		1

These financial statements were approved by the board of directors on 12/3/96 and were signed on its behalf by:



R Bennett
Director

Tooth 'n' Claw Limited

Consolidated cash flow statement for the year ended 31 August 1995

	<i>Note</i>	1995	1994
		£000	£000
Net cash inflow/(outflow) from operating activities	16	61	(42)
Return on investments and servicing of finance			
Interest received		14	18
Taxation			
UK corporation tax paid		(6)	(65)
Investing activities			
Purchase of tangible fixed assets		(111)	(103)
Purchases of fixed asset investments		(2)	-
Sale of tangible fixed assets		-	10
Net cash outflow from investing activities		(113)	(93)
Decrease in cash and cash equivalents	17	(44)	(182)

Tooth 'n' Claw Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The principal activity of the group to date has been the production of the "Spitting Image" television series, and although the group now has other activities, this remained the case throughout the year. At it is highly unlikely that any more series will be commissioned after the Autumn 1995 series, which is presently being televised, the appropriateness of the going concern basis of preparing the financial statements could be called into question. However, the directors have reason to believe that the group has diversified its business to the extent to which it will be able to continue trading without the series.

If the group were unable to continue in operational existence, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts and to provide for further liabilities which might arise. Additionally, further adjustments would have to be made to reclassify fixed assets and long term liabilities as current assets and current liabilities, respectively.

The company has taken advantage of the exemption under Section 230(4) of the Companies Act 1985 and so has not presented its own profit and loss account. The profit of the company for the year was £19,000 (1994: £nil) and the company recognised no other gains or losses in the year.

Basis of consolidation

The group accounts consolidate the accounts of Tooth 'n' Claw Limited and all its subsidiary undertakings. These accounts are made up to 31 August 1995. For associated undertakings the group includes its share of profits and losses in the consolidated profit and loss account and its share of post acquisition retained profits or accumulated deficits in the consolidated balance sheet.

The consolidated accounts are based on accounts of subsidiary undertakings which (except for those noted in note 7) are coterminous with those of the parent company and on accounts of associated undertakings which are coterminous with those of the parent company.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Investments

Investments in subsidiary and associated undertakings are stated in the company balance sheet at cost less amounts provided for permanent diminution in value. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

Tooth 'n' Claw Limited

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided by the group to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold property

improvements	-	over the period of the lease term
Plant and machinery	-	25 % per annum
Motor vehicles	-	25 % per annum

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance' lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Rental charges on operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits less amounts recognised in previous years. Provision is made for any losses which are foreseen.

Contract work in progress is stated at costs incurred less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Tooth 'n' Claw Limited

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year. Turnover includes amounts attributable to long term contracts allocated according to the proportion of total costs incurred.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

2 Loss on ordinary activities before taxation

	1995	1994
	£000	£000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
- Audit	23	17
- Other	16	34
Depreciation and other amounts written off tangible fixed assets:		
Owned	65	64
Loss on disposal of fixed assets	17	-
Provision for diminution in value of investments	8	-
Exchange losses	1	2
Rentals payable under operating leases:		
- Plant and machinery	1	2
- Land and buildings	100	270
	<hr/>	<hr/>
<i>after crediting</i>		
Profit on sale of fixed assets	-	10
	<hr/>	<hr/>

Tooth 'n' Claw Limited

Notes (continued)

3 Remuneration of directors

	1995 £000	1994 £000
Directors' emoluments:		
Remuneration as executives	116	138
Pension contributions (see note 18)	45	100
Compensation for loss of office	30	-
	<hr/>	<hr/>
	191	238
	<hr/>	<hr/>

The emoluments, excluding pension contributions, of the chairman were £43,859 (1994: £47,000) and those of the highest paid director were £60,197 (1994: £47,000).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of directors	
	1995	1994
£40,001 - £45,000	2	-
£45,001 - £50,000	-	3
£60,001 - £65,000	1	-
	<hr/>	<hr/>

Tooth 'n' Claw Limited

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1995	1994
Production	10	12
Administration	13	12
	<hr/>	<hr/>
	23	24
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1995	1994
	£000	£000
Wages and salaries	589	620
Social security costs	57	55
Other pension costs (see note 18)	45	100
	<hr/>	<hr/>
	691	775
	<hr/>	<hr/>

5 Taxation

	1995	1994
	£000	£000
UK corporation tax at an effective rate of 25% (1993: 27%) on the loss for the year on ordinary activities	4	33
Adjustment relating to an earlier year	(49)	(23)
Payment for group relief surrendered by group undertaking not consolidated (see note 7)	-	8
	<hr/>	<hr/>
	(45)	18
	<hr/>	<hr/>

Tooth 'n' Claw Limited

Notes (continued)

6 Tangible fixed assets - group

	Leasehold property improvements £000	Plant and machinery £000	Motor vehicles £000	Total £000
<i>Cost</i>				
At beginning of year	100	181	6	287
Additions	51	60	-	111
Disposals	-	(76)	-	(76)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	151	165	6	322
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation and diminution in value</i>				
At beginning of year	19	121	6	146
Charge for year	29	36	-	65
On disposals	-	(59)	-	(59)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	48	98	6	152
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 August 1995	103	67	-	170
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 1994	81	60	-	141
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of plant and machinery is £23,130 (1994: £nil) in respect of assets held under finance leases. Depreciation for the year on these assets was £7,710 (1994: £nil).

Tooth 'n' Claw Limited

Notes (continued)

7 Fixed asset investments

Group	Investments £000
<i>Cost</i>	
At beginning of year	6
Purchases	2
	<hr/>
At end of year	8
	<hr/>
<i>Provisions</i>	
At beginning of year	-
Made in the year	8
	<hr/>
At end of year	8
	<hr/>
<i>Net book value</i>	
At 31 August 1995	-
	<hr/>
At 31 August 1994	6
	<hr/>
Company	Shares in group undertakings
	£000
<i>Cost</i>	
At beginning and end of year	291
	<hr/>
<i>Provisions</i>	
At beginning and end of year	195
	<hr/>
<i>Net book value</i>	
At 31 August 1995	96
	<hr/>
At 31 August 1994	96
	<hr/>

Tooth 'n' Claw Limited

Notes (continued)

7 Fixed asset investments (continued)

The group's and company's subsidiary and participating interests are as follows:

	Country of registration or incorporation	Principal activity	Class and percentage of shares held		
			Group	Company	Class
<i>Subsidiary undertakings</i>					
Spitting Image Productions Limited	England and Wales	Production for television	100%	100%	Ordinary
Nile St Films Limited	England and Wales	Puppet manufacture	100%	-	Ordinary
Screwball Limited	England and Wales	Animation	70%	70%	Ordinary
A.N.T.E.I.N. Limited (formerly Spitting Image Projects Limited)	England and Wales	In liquidation	100%	-	Ordinary
Burginhall 179 Limited	England and Wales	Non-trading	100%	-	Ordinary
<i>Participating interests</i>					
Spitting Swanns Limited	England and Wales	Production for television	50%	50%	Ordinary

The year end of Burginhall 179 Limited was 31 March 1995. The directors do not consider that it is necessary to change its year end to match that of the group on the grounds that the company is dormant.

A.N.T.E.I.N. Limited remained in liquidation during the year. This is considered to represent a severe long-term restriction that substantially hinders the exercising of rights by its parent company over its assets or management. Therefore, in accordance with Financial Reporting Standard 2, its results have not been consolidated in these financial statements.

Spitting Swanns Limited, in which the group has a participating interest, made a loss for the year ended 31 August 1995 of £2,316 and had net liabilities as at 31 August 1995 of £71,968. In accordance with Statement of Standard Accounting Practice 1 these results have not been equity accounted into the group accounts as the directors of Tooth 'n' Claw Limited have stated that they do not intend to provide support for Spitting Swanns Limited.

Tooth 'n' Claw Limited

Notes (continued)

8 Stocks

	Group	
	1995	1994
	£000	£000
Work in progress	119	184

9 Debtors

	Group	
	1995	1994
	£000	£000
Amounts falling due within one year		
Trade debtors	206	182
Corporation tax	32	-
Other debtors	5	22
Prepayments and accrued income	30	44
	273	248

10 Creditors

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Amounts falling due within one year				
Trade creditors	69	96	-	-
Amounts owed to subsidiary undertakings	-	-	-	19
Other creditors including taxation and social security:				
Corporation tax	-	19	-	-
Creditor in respect of group relief (see note 5)	-	8	-	-
Other taxes and social security	62	19	-	-
Other creditors	12	1	1	1
Accruals and deferred income	448	524	-	-
	591	667	1	20
Amounts falling due after more than one year				
Amounts owed to a related party	75	75	75	75

The amount owed to a related party consists of a loan advanced by Ball 'n' Chain Limited to the company. Ball 'n' Chain Limited is owned by R. Law.

Tooth 'n' Claw Limited

Notes (continued)

11 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
150 Ordinary shares of £1 each	<u>150</u>	<u>150</u>
<i>Allotted, called up and fully paid</i>		
102 Ordinary shares of £1 each (representing equity interests)	<u>102</u>	<u>102</u>

12 Share capital and reserves

Group	Share capital £000	Profit and loss account £000
At beginning of year	1	-
Retained profit for the year	<u>-</u>	<u>15</u>
At end of year	<u>1</u>	<u>15</u>
Company	Share capital £000	Profit and loss account £000
At beginning of year	1	-
Retained profit for the year	<u>-</u>	<u>19</u>
At end of year	<u>1</u>	<u>19</u>

Tooth 'n' Claw Limited

Notes (continued)

13 Reconciliations of movements in shareholders' funds

	Group		Company	
	1995	1994	1995	1994
		£000		£000
Opening shareholders' funds	1	23	1	1
Results for the financial year	15	(22)	19	-
Closing shareholders' funds	16	1	20	1

14 Contingent liabilities

(i) Interest at prevailing rates on production advances repaid during the period from 15 January 1990 to 31 March 1992 will become payable between 1996 and 1997 contingent on the profits of Spitting Image Productions Limited (the principal subsidiary undertaking) for the years ending between 31 August 1996 and 31 August 1997. In addition an amount of interest equivalent to 10% of net profits of Spitting Image Productions Limited may be due in the three years following the final repayment of the interest.

(ii) At the balance sheet date a claim had been brought against Spitting Image Productions Limited and three other defendants relating to the alleged unauthorised exploitation by Spitting Image Productions Limited of patent rights purportedly owned by the plaintiff.

The plaintiff has not specified the amount of damages sought and therefore Spitting Image Productions Limited is unable to quantify the amounts at issue.

Spitting Image Productions Limited are confident that the outcome of the litigation will not result in a material liability.

(iii) Spitting Image Productions Limited issued a debenture to its bank, Barclays Bank plc, dated 2 August 1990. Security consists of a fixed and floating charge over all the assets of Spitting Image Productions Limited.

(iv) A group company has a consultancy agreement in place, the payments on which are contingent on consolidated profits of the group. For the year ending 31 August 1996 and subsequent years, payments will be 50% of adjusted profits up to a level of £450,000, and 25% of adjusted profits of any amount over £450,000.

Tooth 'n' Claw Limited

Notes (continued)

15 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made:

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Contracted	-	47	-	-

- (ii) Annual commitments under non-cancellable operating leases are as follows:

Group	1995		1994	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	99	-	99	-
In the second to fifth years inclusive	37	1	37	2
	<u>136</u>	<u>1</u>	<u>136</u>	<u>2</u>

16 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	1995 £000	1994 £000
Operating loss	(44)	(22)
Depreciation charge	65	64
(Profit)/loss on sale of tangible fixed assets	17	(10)
Decrease in stocks	65	274
Decrease in debtors	7	237
Decrease in creditors	(57)	(585)
Provision for diminution in value of investments	8	-
Net cash inflow/(outflow) from operating activities	<u>61</u>	<u>(42)</u>

Tooth 'n' Claw Limited

Notes *(continued)*

17 Analysis of changes in cash and cash equivalents

	Cash £000
Balance at 31 August 1993	346
Net cash outflow	(182)
	<hr/>
Balance at 31 August 1994	164
Net cash outflow	(44)
	<hr/>
Balance at 31 August 1995	120
	<hr/>

18 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the fund amounted to £45,000 (1994:£100,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.