

Tooth 'n' Claw Limited

Directors' report and consolidated financial statements

31 August 1996

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 1996.

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. Spitting Image Productions Ltd completed the final series of Spitting Image for ITV in the Spring of 1996 but it continues to develop other business to replace the series. It completed Crapston Villas, an animated series for Channel 4, in Autumn 1995 and another was started for completion in Autumn 1997. It also continued to develop its commercial and workshop ventures. Screwball Films Ltd continued to develop animation projects for television with a short film for Channel 4 and the BBC's animated Christmas idents completed during the year. Nile Street Films Ltd completed the North America puppet contracts for which it was set up and is now dormant.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend (1995: *£nil*). An amount of £513 representing the retained loss for the year has been transferred to reserves (1995: *£15,000 profit*).

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)
R Bennett	

Mr R Law owned 67 shares in the company throughout the year. Mr R Bennett had no beneficial interests in the shares of 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.

Tooth 'n' Claw Limited

Directors' report *(continued)*

Donations

The group made charitable donations during the year of £421 (1995: £250).

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

13 December 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;
- 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
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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 1996 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

13 December 1996

Tooth 'n' Claw Limited

Consolidated profit and loss account for the year ended 31 August 1996

	Note	1996 £000	1995 £000
Turnover	1	3,103	3,874
Cost of sales		(2,301)	(2,807)
		<hr/>	<hr/>
Gross profit		802	1,067
Administrative expenses		(825)	(1,111)
		<hr/>	<hr/>
Operating loss		(23)	(44)
Interest receivable		15	14
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2-4	(8)	(30)
Tax on loss on ordinary activities	5	7	45
		<hr/>	<hr/>
(Loss)/profit on ordinary activities after taxation and retained for the financial year		(1)	15
		<hr/>	<hr/>
Retained profit/(loss) for the financial year			
The company		-	19
Group undertakings		(1)	(4)
		<hr/>	<hr/>
		(1)	15
		<hr/>	<hr/>

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 1996

	Note	1996		1995	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	6		128		170
Investments	7		-		-
			<u>128</u>		<u>170</u>
Current assets					
Stocks	8	261		119	
Debtors	9	97		273	
Cash at bank and in hand		225		120	
		<u>583</u>		<u>512</u>	
Creditors: amounts falling due within one year	10	(621)		(591)	
Net current liabilities			<u>(38)</u>		<u>(79)</u>
Total assets less current liabilities			90		91
Creditors: amounts falling due after more than one year	10		<u>(75)</u>		<u>(75)</u>
Net assets			<u>15</u>		<u>16</u>
Capital and reserves					
Called up share capital	11		1		1
Profit and loss account	12		14		15
Shareholders' funds (attributable to equity interests)	13		<u>15</u>		<u>16</u>

These financial statements were approved by the board of directors on 13 December 1996, and were signed on its behalf by:


R Bennett
Director

Tooth 'n' Claw Limited

Parent company balance sheet at 31 August 1996

	Note	1996		1995	
		£000	£000	£000	£000
Fixed assets					
Investments	7		96		96
Creditors: amounts falling due within one year	10	(1)		(1)	
Net current liabilities			(1)		(1)
Total assets less current liabilities			95		95
Creditors: amounts falling due after more than one year	10		(75)		(75)
Net assets			20		20
Capital and reserves					
Called up share capital	11		1		1
Profit and loss account	12		19		19
Shareholders' funds (attributable to equity interests)	13		20		20

These financial statements were approved by the board of directors on 30 October 1996 and were signed on its behalf by:



R Bennett
Director

Tooth 'n' Claw Limited

Consolidated cash flow statement for the year ended 31 August 1996

	<i>Note</i>	1996		1995	
		£000	£000	£000	£000
Net cash inflow from operating activities	<i>16</i>		66		61
Return on investments and servicing of finance					
Interest received			15		14
Taxation					
UK corporation tax recovered/(paid)			41		(6)
Investing activities					
Purchase of tangible fixed assets		(17)		(111)	
Purchase of fixed asset investments		-		(2)	
Net cash outflow from investing activities			(17)		(113)
Increase/(decrease) in cash and cash equivalents	<i>17</i>		105		(44)

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, 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 £nil (1995: £19,000) 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. 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

	1996	1995
	£000	£000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
- Audit	20	23
- Other	22	16
Depreciation and other amounts written off tangible fixed assets:		
Owned	59	65
Loss on disposal of fixed assets	-	17
Provision for diminution in value of investments	-	8
Exchange losses	-	1
Rentals payable under operating leases:		
- Plant and machinery	1	1
- Land and buildings	91	100
	<hr/>	<hr/>

Tooth 'n' Claw Limited

Notes (continued)

3 Remuneration of directors

	1996 £000	1995 £000
Directors' emoluments:		
Remuneration as executives	91	116
Pension contributions (see note 18)	85	45
Compensation for loss of office	-	30
	<hr/>	<hr/>
	176	191
	<hr/>	<hr/>

The emoluments, excluding pension contributions, of the chairman were £46,534 (1995: £43,859) and those of the highest paid director were £46,534 (1995: £60,197).

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

	1996	Number of directors 1995
£40,001 - £45,000	1	2
£45,001 - £50,000	1	-
£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	
	1996	1995
Production	3	10
Administration	11	13
	<hr/>	<hr/>
	14	23
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£000	£000
Wages and salaries	499	679
Social security costs	36	57
Other pension costs (see note 18)	85	45
	<hr/>	<hr/>
	620	781
	<hr/>	<hr/>

5 Taxation

	1996	1995
	£000	£000
UK corporation tax at an effective rate of 25% on the loss for the year on ordinary activities	1	4
Adjustment relating to an earlier year	(8)	(49)
	<hr/>	<hr/>
	(7)	(45)
	<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
Cost				
At beginning of year	151	165	6	322
Additions	3	8	6	17
Disposals	(21)	-	(6)	(27)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	133	173	6	312
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and diminution in value				
At beginning of year	48	98	6	152
Charge for year	29	29	1	59
On disposals	(21)	-	(6)	(27)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	56	127	1	184
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 August 1996	77	46	5	128
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 1995	103	67	-	170
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of plant and machinery is £15,420 (1995: £23,130) in respect of assets held under finance leases. Depreciation for the year on these assets was £7,710 (1995: £7,710).

Tooth 'n' Claw Limited

Notes (continued)

7 Fixed asset investments

		Investments
		£000
Group		
<i>Cost</i>		
At beginning and end of year		8
		<hr/>
<i>Provisions</i>		
At beginning and end of year		8
		<hr/>
<i>Net book value</i>		
At 31 August 1996		-
		<hr/>
At 31 August 1995		-
		<hr/>
		Shares in group
		undertakings
Company		
		£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 1996		96
		<hr/>
At 31 August 1995		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
<i>Participating interests</i>					
Spitting Swanns Limited	England and Wales	Production for television	50%	50%	Ordinary

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, did not trade during the year and had net liabilities as at 31 August 1996 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	
	1996	1995
	£000	£000
Work in progress	261	119

9 Debtors

	Group	
	1996	1995
	£000	£000
Amounts falling due within one year		
Trade debtors	77	206
Corporation tax	-	32
Other debtors	3	5
Prepayments and accrued income	17	30
	<u>97</u>	<u>273</u>

10 Creditors

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Amounts falling due within one year				
Trade creditors	176	69	-	-
Other creditors including taxation and social security:				
Corporation tax	2	-	-	-
Other taxes and social security	29	62	-	-
Other creditors	2	12	1	1
Accruals and deferred income	412	448	-	-
	<u>621</u>	<u>591</u>	<u>1</u>	<u>1</u>
Amounts falling due after more than one year				
Amounts owed to a related party	<u>75</u>	<u>75</u>	<u>75</u>	<u>75</u>

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

	1996 £	1995 £
<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	15
Retained loss for the year	-	(1)
At end of year	<u>1</u>	<u>14</u>
Company	Share capital £000	Profit and loss account £000
At beginning of year	1	19
Retained profit for the year	-	-
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	
	1996	1995	1996	1995
	£000	£000	£000	£000
Opening shareholders' funds	16	1	20	1
Results for the financial year	(1)	15	-	19
Closing shareholders' funds	15	16	20	20

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 in 1997 contingent on the profits of Spitting Image Productions Limited (the principal subsidiary undertaking) for the year 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) 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 1997 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

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

Group	1996		1995	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	99	-
In the second to fifth years inclusive	37	1	37	1
	<u>37</u>	<u>1</u>	<u>136</u>	<u>1</u>

There are no other capital commitments at the end of the financial year.

16 Reconciliation of operating loss to net cash inflow from operating activities

	1996 £000	1995 £000
Operating loss	(23)	(44)
Depreciation charge	59	65
Loss on sale of tangible fixed assets	-	17
(Increase)/decrease in stocks	(142)	65
Decrease in debtors	144	7
Increase/(decrease) in creditors	28	(57)
Provision for diminution in value of investments	-	8
	<u>66</u>	<u>61</u>
Net cash inflow from operating activities		

Tooth 'n' Claw Limited

Notes (continued)

17 Analysis of changes in cash and cash equivalents

	Cash £000
Balance at 31 August 1994	164
Net cash outflow	(44)
	<hr/>
Balance at 31 August 1995	120
Net cash inflow	105
	<hr/>
Balance at 31 August 1996	<u>225</u>

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 £85,000 (1995:£45,000).

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