

# **The Feature Film Company Limited**

## **Auditors' Report**

### **Auditors' report to The Feature Film Company Limited under section 247B of the Companies Act 1985**

We have examined the abbreviated accounts set out on pages 2 to 5, together with the financial statements of the company for the year ended 30th June 1998 prepared under section 226 of the Companies Act 1985.

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

The directors are responsible for preparing the abbreviated accounts in accordance with section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

#### **Basis of Opinion**

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

#### **Opinion**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Companies Act 1985, and the abbreviated accounts on pages 2 to 5 are properly prepared in accordance with those provisions.

#### **Other Information**

On 29th April 1999, we reported as auditors to the members of the company on the financial statements prepared under section 226 of the Companies Act 1985 and our report included the following paragraph:

"Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in the directors report and note 1 to the financial statements concerning the uncertainty of the nature of the companies trading operations and the continued availability to the company of sufficient financial support for the company to continue to meet its day to day cashflow requirements. In view of the significance of the uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect".



Partridge & Co.

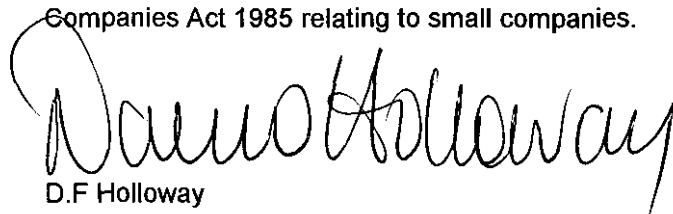
Chartered Certified Accountants  
Registered Auditors

29 April 1999

**The Feature Film Company Limited**  
**Abbreviated Balance Sheet**  
**as at 30 June 1998**

|  | Notes | 1998<br>£       | 1997<br>£       |
|--|-------|-----------------|-----------------|
| <b>Fixed assets</b>  |       |                 |                 |
| Tangible assets  | 2     | 2,016           | 1,556           |
| <b>Current assets</b>  |       |                 |                 |
| Stocks   |       | 23,117          | 16,849          |
| Debtors  |       | 322,588         | 182,836         |
| Cash at bank and in hand                                       |       | 27,659          | 19,133          |
|  |       | <u>373,364</u>  | <u>218,818</u>  |
| <b>Creditors: amounts falling due within one year</b>          |       | (458,320)       | (307,593)       |
| <b>Net current liabilities</b>                                 |       | <u>(84,956)</u> | <u>(88,775)</u> |
| <b>Total assets less current liabilities</b>                   |       | <u>(82,940)</u> | <u>(87,219)</u> |
| <b>Represented by:</b>   |       |                 |                 |
| <b>Creditors: amounts falling due after more than one year</b> |       | 43,554          | 41,051          |
| <b>Capital and reserves</b>                                    |       |                 |                 |
| Called up share capital  | 3     | 1,000           | 1,000           |
| Profit and loss account  |       | (127,494)       | (129,270)       |
|  |       | <u>(82,940)</u> | <u>(87,219)</u> |

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.



D.F. Holloway

Director

Approved by the board on 29 April 1999

**The Feature Film Company Limited**  
**Notes to the Abbreviated Accounts**  
**at 30 June 1998**

**1 Accounting policies**

**Accounting convention**

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

**Depreciation**

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

|                                  |                   |
|----------------------------------|-------------------|
| Furniture, fixtures and fittings | 25% straight Line |
|----------------------------------|-------------------|

**Stocks**

Stock is valued at the lower of cost and net realisable value.

Film and video promotion and distribution expenditure is written off to the profit and loss account when it is incurred on the accruals basis. Pre-release promotion and distribution expenditure is carried forward as work in progress to the extent that the expenditure is fully recoverable against future revenue from that release.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

**Government and European Grants**

Grants of a revenue nature for specific expenditure are matched with the expenditure to which they relate and are credited to the profit and loss account on the accruals basis.

**Deferred Income**

Income received in respect of TV rights sales is credited to the profit and loss account on completion of the rights sales

**Going Concern**

The accounts have been prepared on the going concern basis, and the company is dependent upon the continued financial support of its directors and creditors.

The nature of the companies activities is such that there can be significant and long time gaps between the initiation of a films release cycle and any point in that cycle at which a net profit may be realised. The companies policy is to recognise losses at each stage in a film products rights cycle, which places demands upon short term profitability and cash flows.

The company has continued to trade since the balance sheet with adequate cashflow funding and the directors consider that this is likely to continue for the foreseeable future.

The financial statements do not include any adjustments that would be necessary if adequate cashflow funding did not continue to be available.

**The Feature Film Company Limited**  
**Notes to the Abbreviated Accounts**  
**at 30 June 1998**

|                                |             |
|--------------------------------|-------------|
| <b>2 Tangible fixed assets</b> | <b>£</b>    |
| <b>Cost</b>                    |             |
| At 1 July 1997                 | 3,395       |
| Additions                      | 1,962       |
|                                | <hr/>       |
| At 30 June 1998                | 5,357       |
| <b>Depreciation</b>            |             |
| At 1 July 1997                 | 1,839       |
| Charge for the year            | 1,502       |
|                                | <hr/>       |
| At 30 June 1998                | 3,341       |
| <b>Net book value</b>          |             |
| At 30 June 1998                | <hr/> 2,016 |
| At 30 June 1997                | <hr/> 1,556 |

|                                     |             |             |
|-------------------------------------|-------------|-------------|
| <b>3 Share capital</b>              | <b>1998</b> | <b>1997</b> |
|                                     | <b>£</b>    | <b>£</b>    |
| Authorised:                         |             |             |
| Ordinary shares of £1 each          | <hr/> 1,000 | <hr/> 1,000 |
|                                     |             |             |
|                                     | <b>1998</b> | <b>1997</b> |
|                                     | <b>No</b>   | <b>No</b>   |
|                                     |             |             |
| Allotted, called up and fully paid: |             |             |
| Ordinary shares of £1 each          | <hr/> 1,000 | <hr/> 1,000 |

**4 Transactions with directors**

During the year the company purchased production and editing services of £93,558 from Holloway Film and Television Limited, a company in which Mr D.F Holloway is the sole director and shareholder.

The company also received a credit of £16,000 from Holloway Film and Television Limited in respect of accommodation use, management services and computer systems usage charged in the year ended 30th June 1997.

**5 Creditors**

Included in Other Creditors falling due within one year is an amount of £10,344 due to Holloway Film and Television Limited, a company under common control.

Included in Creditors falling due after one year is an amount due to Mr D.F Holloway, a director of the company of £43,554.