

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & Co. SC

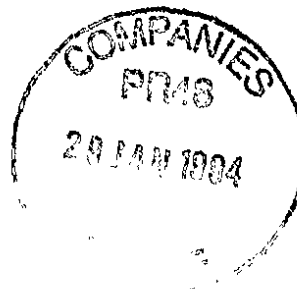
Lumiere Pictures Limited

(formerly Movie Acquisition Corporation Limited)

Accounts 31 December 1992

together with directors' and auditors' reports

Registered number: 2668459



Directors' report

For the 13 month period ended 31 December 1992

The directors present their first report on the affairs of the group, together with the accounts and auditors' report, for the period ended 31 December 1992.

Principal activity and business review

The principal activity of the group is the licensing of film and television rights.

The company was incorporated on 29 November 1991. These accounts cover the period from incorporation to 31 December 1992. During the period it acquired the rights to the film library of the former Weintraub group of companies.

These accounts have been presented in US dollars being the principal operating currency of the group.

Results and dividends

The operating results of the group for the period were in line with directors' expectations. The loss on ordinary activities before taxation was \$1,581,505.

The directors do not recommend the payment of a dividend.

Directors and their interests

The directors who served during the period were as follows:

Didier Brethes	(appointed 17 December 1991)
Alasdair Waddell	(appointed 24 August 1992, resigned 14 June 1993)
Jean Cazes	Chairman (appointed 17 December 1991)
David Adair	(appointed 24 August 1992)

No directors of the company had any interests requiring disclosure under the Companies Act 1985.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 of the group for the year. In preparing those accounts, 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 accounts;

Directors' report (continued)

Directors' responsibilities (continued)

- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fixed assets

Information relating to changes in tangible fixed assets is given in note 10 to the accounts.

Change of name

The company changed its name on 19 May 1993 from Movie Acquisition Corporation Limited to Lumiere Pictures Limited.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

167/9 Wardour Street
London
W1V 3TA

By order of the Board,



Frank Leach

Secretary

• 13 December 1993

ARTHUR ANDERSEN

Auditors' report

London

To the Shareholders Lumiere Pictures Limited (formerly Movie Acquisition Corporation Limited):

We have audited the accounts on pages 4 to 27 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the company's and 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 accounts 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 accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the company and the group at 31 December 1992 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

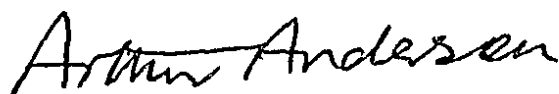
Chartered Accountants and Registered Auditor

1 Surrey Street

London

WC2R 2PS

13 December 1993



Consolidated profit and loss account

For the 13 month period ended 31 December 1992

	Notes	1992 \$
Turnover	2	10,470,584
Cost of sales		(5,466,249)
Gross profit		<u>5,004,335</u>
Other operating expenses	3	(4,278,665)
Operating profit		<u>725,670</u>
Investment income	4	369,737
Amounts written off fixed asset investments	12	(360,000)
Interest payable	5	(2,316,912)
Loss on ordinary activities before taxation	6	(1,581,505)
Tax on loss on ordinary activities	8	<u>87,823</u>
Loss for the financial period		<u>(1,493,682)</u>

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated balance sheet

31 December 1992

	Notes	1992 \$
Fixed assets		
Intangible assets	9	57,167,841
Tangible assets	10	841,357
Investments	11	1,447,000
		<u>59,456,198</u>
Current assets		
Debtors	13	1,169,105
Cash at bank and in hand (see note 20b)		7,669,643
		<u>8,838,748</u>
Creditors: Amounts falling due within one year	14	(13,865,382)
Net current liabilities		<u>(5,026,634)</u>
Total assets less current liabilities		<u>54,429,564</u>
Creditors: Amounts falling due after more than one year	15	(36,043,902)
Provisions for liabilities and charges	16	(4,879,344)
Net assets		<u>13,506,318</u>
Capital and reserves		
Called-up share capital	17	90
Share premium account	18	14,999,910
Profit and loss account	18	(1,493,682)
Total capital employed		<u>13,506,318</u>

Signed on behalf of the Board

David Adair

Director



13 December 1993

The accompanying notes are an integral part of this consolidated balance sheet.

Balance sheet

31 December 1992

	Notes	1992 \$
Fixed assets		
Intangible assets	9	47,515,646
Tangible assets	10	836,995
Investments	11	15,395,688
		<u>63,748,329</u>
Current assets		
Debtors	13	1,103,246
Cash at bank and in hand (see note 20b)		7,650,836
		<u>8,754,082</u>
Creditors: Amounts falling due within one year	14	<u>(19,475,625)</u>
Net current liabilities		<u>(10,721,543)</u>
Total assets less current liabilities		<u>53,026,786</u>
Creditors: Amounts falling due after more than one year	15	<u>(36,043,902)</u>
Provisions for liabilities and charges	16	<u>(3,476,566)</u>
Net assets		<u>13,506,318</u>
Capital and reserves		
Called-up share capital	17	90
Share premium account	18	14,999,910
Profit and loss account	18	<u>(1,493,682)</u>
Total capital employed		<u>13,506,318</u>

Signed on behalf of the Board

David Adair



Director

13 December 1993

The accompanying notes are an integral part of this balance sheet.

Consolidated cash flow statement

For the period ended 31 December 1992

	Notes	1992	
		\$	\$
Net cash inflow from operating activities	19a		2,743,389
Returns on investments and servicing of finance			
Interest received		369,737	
Interest paid		(1,043,579)	
Net cash outflow from returns on investments and servicing of finance			(673,842)
Taxation			
UK corporation tax paid		(501,523)	
Tax paid			(501,523)
Investing activities			
Purchase of assets and liabilities of other businesses	19b	(42,765,128)	
Purchase of tangible fixed assets		(623,358)	
Purchase of subsidiary undertakings	19c	(11,702,895)	
Purchase of new projects		(1,807,000)	
Net cash outflow from investing activities			(56,898,381)
Net cash outflow before financing			(55,330,357)
Financing			
Issue of ordinary share capital		15,000,000	
New loans and deferred consideration		48,000,000	
Net cash inflow from financing			63,000,000
Increase in cash and cash equivalents	19d		7,669,613

The accompanying notes are an integral part of this consolidated cash flow statement.

Notes to accounts

31 December 1992

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

a) Accounting convention

The accounts are prepared on the going concern basis under the historical cost convention, and in accordance with applicable accounting standards.

b) Basis of consolidation

The group accounts consolidate the accounts of Lumiere Pictures Limited (formerly Movie Acquisition Corporation Limited) and all its subsidiary undertakings made up to 31 December 1992. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary 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.

In the company's accounts, investments in subsidiary undertakings are stated at cost less amounts written off. Only dividends received and receivable are credited to the company's profit and loss account.

No profit and loss account is presented for Lumiere Pictures Limited (formerly Movie Acquisition Corporation Limited), as provided by s230 of the Companies Act 1985. The company's loss for the financial year, determined in accordance with the Act, was \$1,493,682.

c) Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) in the normal course of business. Sales are recognised when the revenues generated by the licence are reasonably assured.

d) Intangible fixed assets

The cost of acquisition of film licensing rights is capitalised. Amortisation is based on a percentage of the current year's revenue such that costs will be amortised over the remaining useful economic life of the rights.

Other direct costs such as mastering and dubbing costs are capitalised where the economic benefit is expected to extend over more than one accounting period.

Notes to accounts (continued)

1 Accounting policies (continued)

e) *Tangible fixed assets*

Tangible fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and machinery	4 years
Fixtures and fittings	4-5 years

f) *Investments*

Fixed assets investments are shown at cost less amounts written off.

Payments made to third parties in respect of film production costs are classified as investments until the group has obtained possession of the rights upon completion of the film, at which time the rights are classified as intangible assets.

g) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred taxation is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

h) *Foreign currency*

Transactions denominated in foreign currencies are recorded in dollars at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the balance sheet date. Any gain or loss arising on revaluation is included as an exchange gain or loss in the profit and loss account.

i) *Leases*

Assets held under finance leases are initially reported at the fair value of the asset, with the equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability and allocated to cost of sales and other operating expenses as appropriate. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Notes to accounts (continued)

1 Accounting policies (continued)

j) Pension costs

The company provides pensions to certain of its employees through a defined benefit scheme. The assets of the scheme are held independently of the company. The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

Further information on pension costs is provided in note 20d.

2 Segment information

The analysis of turnover and loss on ordinary activities has been omitted.

3 Other operating expenses

Other operating expenses comprises administrative expenses.

4 Investment income

Investment income comprises:

	1992 \$
Interest income	<u>369,737</u>

5 Interest payable

	1992 \$
On bank and other loans	
- repayable after five years, by instalment	1,656,912
- other	<u>660,000</u>
	<u>2,316,912</u>

Notes to accounts (continued)

6 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	1992 \$
a) Depreciation and amounts written off	
i. intangible fixed assets	3,523,712
ii. tangible fixed assets	
- owned	102,292
b) Operating lease rentals	60,825
c) Auditors' remuneration	
i. audit fees	44,300
ii. other services	24,882
d) Staff costs (see note 7)	<u>1,698,606</u>

7 Staff costs

Particulars of employees (including executive directors) are as shown below:

	1992 \$
Employee costs during the period amounted to:	
Wages and salaries	1,484,202
Social security costs	121,208
Other pension costs	93,196
	<u>1,698,606</u>

The average weekly number of persons employed by the group during the period was as follows:

	Number employed
Sales	2
Administration	30
	<u>32</u>

Notes to accounts (continued)

7 Staff costs (continued)

Directors' remuneration:

Directors' remuneration was paid in respect of directors of the company as follows:

	1992 \$
Fees	-
Other emoluments (including pension contributions)	247,443
	<hr/> 247,443

The directors remuneration shown above (excluding pensions and pension contributions) included Chairman's emoluments of \$nil. The highest paid director received emoluments of \$176,165.

Directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	Number
Up to £ 5,000	2
£ 20,001 - £ 25,000	1
£ 95,001 - £ 100,000	1
	<hr/>

Average exchange rate for the year was £1 = \$1.77.

8 Tax on loss on ordinary activities

The tax credit is based on the loss for the period and comprises:

	1992 \$
Deferred taxation arising from	
- capital allowances	87,823
	<hr/>

Notes to accounts (continued)

9 Intangible fixed assets

Included in the net book value of intangible fixed assets are:

	Group \$	Company \$
Film licensing rights	<u>57,167,841</u>	<u>47,515,646</u>

The movement for the period was as follows:

	\$	\$
Cost		
Beginning of period	-	-
Additions	<u>60,691,553</u>	<u>50,812,361</u>
End of period	<u>60,691,553</u>	<u>50,812,361</u>
Amounts written off		
Beginning of period	-	-
Charge	<u>3,523,712</u>	<u>3,296,715</u>
End of period	<u>3,523,712</u>	<u>3,296,715</u>
Net book value		
Beginning of period	-	-
End of period	<u>57,167,841</u>	<u>47,515,646</u>

Notes to accounts (continued)

10 Tangible fixed assets

The movement in the period was as follows:

Group	Plant and machinery \$	Fixtures and fittings \$	Total \$
Cost			
Beginning of period	-	-	-
Additions	102,092	841,557	943,649
End of period	102,092	841,557	943,649
Depreciation			
Beginning of period	-	-	-
Charge	25,523	76,769	102,292
End of period	25,523	76,769	102,292
Net book value			
Beginning of period	-	-	-
End of period	76,569	761,788	841,357
Leased assets included in the above:			
Net book value			
Beginning of period	-	-	-
End of period	-	52,455	52,455

Notes to accounts (continued)

10 Tangible fixed assets (continued)

Company	Plant and machinery \$	Fixtures and fittings \$	Total \$
Cost			
Beginning of period	-	-	-
Additions	102,092	835,741	937,833
End of period	102,092	835,741	937,833
Depreciation			
Beginning of period	-	-	-
Charge	25,523	75,315	100,838
End of period	25,523	75,315	100,838
Net book value			
Beginning of period	-	-	-
End of period	76,569	760,426	836,995
Leased assets included in the above:			
Net book value			
Beginning of period	-	-	-
End of period	-	52,455	52,455

11 Fixed asset investments

The following are included in the net book value of fixed asset investments:

	Group 1992 \$	Company 1992 \$
Subsidiary undertakings	-	13,948,688
Investment in new projects	1,447,000	1,447,000
	1,447,000	15,395,688

Notes to accounts (continued)

11 Fixed asset investments (continued)

a) Principal group investments

The group has investments in the following subsidiary undertakings:

	Country of incorporation	Principal activity and country of operation	Percentage of ordinary share capital held
Lumiere (Rights) Limited (formerly MAC Entertainment (Rights) Limited)	UK	Film distribution (UK)	100%
Lumiere Leisure Limited (formerly MAC 576 Limited)	UK	Film distribution (UK)	100%
Lumiere Enterprises Limited (formerly Testfocus Limited)	UK	Film distribution (UK)	100%*
Springscreen Inc.	USA	Film distribution (USA)	100%
Lumiere Films Inc. (formerly MAC Films Inc.)	USA	Agents sourcing new projects USA)	100%

* Investment held by subsidiary undertaking

b) Investment in subsidiary undertakings

	1992 \$
Cost	
Beginning of period	-
Additions (see note 12a)	16,146,306
Disposals (see note 12a)	(2,062,605)
Amounts written off	(135,013)
End of period	<u>13,948,688</u>

All subsidiary undertakings have been included in the consolidation.

Notes to accounts (continued)

12 Acquisitions

a) Acquisition of subsidiary undertakings

During 1991, the company acquired the entire share capital of the following companies:

	Consideration \$
Lumiere (Rights) Limited (formerly MAC Entertainment (Rights) Limited)	9,893,216
Lumiere Enterprises Limited (formerly Testfocus Limited)	2,062,605
Lumiere Leisure Limited (formerly MAC 576 Limited)	3,927,123
Springscreen Inc.	253,362
Lumiere Films Inc. (formerly MAC Films Inc.)	<u>10,000</u>

There was no goodwill arising as a result of any of these acquisitions.

The fair value of the assets and liabilities purchased on acquisition of these entities was as follows:

Lumiere (Rights) Limited:

	Book value \$	Fair value adjustment \$	Fair value \$
Fixed assets			
Intangible assets	2,211,383	5,605,204	7,816,587
Current assets			
Cash	4,433,411	-	4,433,411
Total assets	<u>6,644,794</u>	<u>5,605,204</u>	<u>12,249,998</u>
Provisions			
Deferred taxation	(729,760)	-	(729,760)
Royalty	(835,585)	-	(835,585)
Other	(225,256)	-	(225,256)
Creditors			
Accruals	(64,658)	-	(64,658)
Taxation	(501,523)	-	(501,523)
Total liabilities	<u>(2,356,782)</u>	<u>-</u>	<u>(2,356,782)</u>
Net assets	<u>4,288,012</u>	<u>5,605,204</u>	<u>9,893,216</u>

17 LUMIERE PICTURES LIMITED (formerly Movie Acquisition Corporation Limited)

Notes to accounts (continued)

12 Acquisitions (continued)

The revaluation of the intangible fixed assets reflects the amount the directors believe represents the open market value of the film library on acquisition.

The profit of Lumiere (Rights) Limited for the period from the end of its last financial year on 31 December 1990 to the date of acquisition was \$209,930.

Lumiere Enterprises Limited:

	Book value and fair value \$
Fixed assets	
Intangible assets	2,062,605
Net assets	<u>2,062,605</u>

During the period Lumiere Enterprises Limited was transferred to Lumiere (Rights) Limited at net book value.

Lumiere Leisure Limited:

	Book value and fair value \$
Fixed assets	
Intangible assets	3,927,123
Net assets	<u>3,927,123</u>

Springscreen Inc.:

	Book value and fair value \$
Fixed assets	
Intangible assets	253,362
Net assets	<u>253,362</u>

During the period the intangible assets of Lumiere Leisure Limited and Springscreen Inc., were transferred to the company at net book value.

Notes to accounts (continued)

12 Acquisitions (continued)

b) Acquisition of the assets and liabilities of the Weintraub group

On incorporation the company acquired the assets and liabilities of certain entities of the Weintraub group of companies for a total consideration of \$43,863,694.

There was no goodwill resulting from the acquisition.

The fair value of the assets and liabilities purchased on acquisition was as follows:

	Book value \$	Fair value adjustments \$	Fair value \$
Fixed assets			
Intangible	45,569,788	1,062,088	46,631,876
Tangible	819,925	(552,088)	267,837
Current assets			
Debtors	588,003	-	588,003
Cash	1,098,566	-	1,098,566
Total assets	<u>48,076,282</u>	<u>510,000</u>	<u>48,586,282</u>
Liabilities			
Creditors	(1,399,826)		(1,399,826)
Provisions	(2,812,762)	(510,000)	(3,322,762)
Total liabilities	<u>(4,212,588)</u>	<u>(510,000)</u>	<u>(4,722,588)</u>
Net assets	<u>43,863,694</u>	<u>-</u>	<u>43,863,694</u>

The revaluation of the intangible fixed assets reflects the amount the directors believe represents the open market value of the film library on acquisition.

The adjustment to tangible fixed assets represents the write down of leasehold improvements to fair value.

The increase in provisions represents a provision for acquisition costs.

Notes to accounts (continued)

12 Acquisitions (continued)

c) Investment in new projects

	1992 \$
Cost	
Beginning of period	-
Additions	1,807,000
Amounts written off	(360,000)
End of period	<u>1,447,000</u>

13 Debtors

The following are included in the net book value of debtors:

	Group 1992 \$	Company 1992 \$
Amounts falling due within one year:		
Trade debtors	873,930	822,802
VAT	129,540	124,449
Other debtors	49,844	49,844
Prepayments and accrued income	115,791	106,151
	<u>1,169,105</u>	<u>1,103,246</u>

14 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	Group 1992 \$	Company 1992 \$
Deferred consideration	12,000,000	12,000,000
Obligations under finance leases	8,552	8,552
Trade creditors	566,956	566,956
Amounts owed to subsidiary undertakings	-	5,627,784
Accruals	1,273,333	1,273,333
Other creditors	16,541	-
	<u>13,854,382</u>	<u>19,475,625</u>

Notes to accounts (continued)

15 Creditors: Amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

	Group and Company 1992 \$
Obligations under finance leases	43,902
Loans (see below)	36,000,000
	<u>36,043,902</u>

The loan is repayable in six instalments commencing on 17 February 1997. It is secured by way of a fixed charge over the company's rights, title and interest in 300 specified films and a floating charge over the rights, title and interest in all other films owned by the company. In addition, by way of a fixed charge over the share capital of Lumiere (Rights) Limited (formerly MAC Entertainment (Rights) Limited). Interest is charged at the 180 day London interbank money market rate plus 1.5%. A further tranche of \$9 million will be received by the company on 17 December 1993.

Obligations under finance leases are repayable as follows:

	Group and Company 1992 \$
Due within 1 year	14,364
Due within 1-2 years	53,863
	<u>68,227</u>
Less: finance charges allocated to future periods	(15,773)
	<u>52,454</u>

16 Provisions for liabilities and charges

Provisions for liabilities and charges comprises:

	Group 1992 \$	Company 1992 \$
Deferred taxation	641,937	-
Provision for royalties	2,273,690	1,738,105
Provision on acquisition	104,000	104,000
Other provisions	1,859,717	1,634,461
	<u>4,879,344</u>	<u>3,476,566</u>

Notes to accounts (continued)

16 Provisions for liabilities and charges (continued)

i) *Deferred taxation*

The movement on deferred tax comprises:

	Group \$
Deferred taxation - capital allowances	<u>641,937</u>

The movement on deferred taxation comprises:

	\$
Beginning of period	-
Liability acquired on acquisition of subsidiary undertaking (see note 12b)	729,760
Credit to profit and loss in respect of capital allowances	<u>(87,823)</u>
Balance at end of period	<u>641,937</u>

There are no significant amounts of unprovided deferred taxation.

ii) *Provision for royalties*

The movement in the provision for royalties is as follows:

	Group 1992 \$	Company 1992 \$
Beginning of period	-	-
Liability acquired on acquisitions (see note 12)	2,902,957	2,067,372
Transfer to profit and loss account	<u>(629,267)</u>	<u>(329,267)</u>
End of period	<u>2,273,690</u>	<u>1,738,105</u>

Notes to accounts (continued)

16 Provisions for liabilities and charges (continued)

iii) Provision on acquisition

The movement on the provision set up on the acquisition of the assets and liabilities of the Weintraub group is as follows:

	Group 1992 \$	Company 1992 \$
On acquisition (see note 12)	510,000	510,000
Utilised during the period	(406,000)	(406,000)
End of period	<u>104,000</u>	<u>104,000</u>

iv) Other provisions

The movement on other provisions comprises:

	Group 1992 \$	Company 1992 \$
Beginning of period	-	-
Liability acquired on acquisition (see note 12)	970,646	745,390
Provided in the year	<u>886,071</u>	<u>889,071</u>
End of period	<u>1,859,717</u>	<u>1,634,461</u>

17 Called-up share capital

Authorised

100 ordinary shares of £1 each

1992
\$

180

Allotted, called-up and fully-paid

50 ordinary shares of £1 each

90

Notes to accounts (continued)

18 Reserves

Of the total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise:

	Group and Company 1992 \$
Distributable	
- profit and loss account	(1,493,682)
Non-distributable	
- share premium account	14,999,910
Total reserves	<u>13,506,228</u>

19 Cash flow information

a) Reconciliation of operating profit to net cash inflow from operating activities

	1992 \$
Operating profit	725,670
Depreciation and amortisation charges	3,626,004
Increase in debtors	(581,102)
Decrease in creditors and provisions	(1,027,183)
Net cash inflow from operating activities	<u>2,743,389</u>

b) Purchase of assets and liabilities of other businesses

	1992 \$
Fixed assets	
- intangible	46,631,876
- tangible	267,837
Current assets	
- debtors	588,003
creditors	(1,399,826)
Provisions	(3,322,762)
	<u>42,765,128</u>

Satisfied by:

Cash paid	43,853,694
Less cash received	(1,098,566)
Net cash payment	<u>42,765,128</u>

Notes to accounts (continued)

19 Cash flow information (continued)

c) Purchase of subsidiary undertakings

	1992 \$
Net assets acquired	
Fixed assets	
- intangible	14,059,677
Creditors	(566,181)
Provisions	
- deferred taxation	(729,760)
- royalty	(835,585)
- other	(225,256)
	<u>11,702,895</u>
Satisfied by:	
Cash paid	16,136,306
Less cash held by subsidiary undertaking	(4,433,411)
Net cash payment	<u>11,702,895</u>

d) Analysis of changes in cash and cash equivalents during the period

	Cash at bank and in hand \$
Beginning of period	-
Net cash inflow	7,669,643
End of period	<u>7,669,643</u>

There were no major non-cash transactions.

20 Guarantees and other financial commitments

a) Capital commitments

At the period end the company had contracted to pay \$4 million in respect of future film projects.

b) Contingent liabilities

The company has a contingent liability in respect of documentary credits not yet settled with confirming banks amounting to £3.24 million. These documentary credits were secured on the company's cash deposits until expiry on 16 September 1993.

Notes to accounts (continued)

20 Guarantees and other financial commitments (continued)

c) Lease commitments

The company entered into non-cancellable leases in respect of motor vehicles, the payments of which extend over a period of up to three years. The total annual rental (including interest) for 1992 was \$60,825.

In addition the company leases certain land and buildings on long-term leases. The annual rental on these leases was \$777,164. The rent payable on certain of these leases is subject to renegotiation at intervals specified in the agreement, the next review date being scheduled for June 1995. The company pays all insurance, maintenance and repairs on certain of these properties.

The minimum annual rentals under the foregoing leases are as follows:

	Group and Company	
	Property \$	Motor vehicles \$
1992		
Operating leases which expire:		
- within 1 year	-	19,208
- within 2 to 5 years	-	41,617
- after 5 years	777,164	-
	<u>777,164</u>	<u>60,825</u>

d) Pension arrangements

The pension cost for the year amounted to \$13,973 and the provision as at 31 December 1992 was \$nil. It is the company's policy to fund the cost of currently accruing benefits.

The latest available actuarial valuation of the plan was carried out as at 6 April 1991 using the projected unit method. In the valuation it was assumed that investments would return an average long-term yield of 9% compound and salaries would increase at a rate of 3% per annum. The market value of the assets of the plan as at 6 April 1991 was \$842,000 (£1 = \$1.78) which at that time was sufficient to cover 101% of the benefits which had accrued to members of the scheme.

The company also contributes to the personal pension plans of two directors and two employees. The cost for the year amounted to \$19,223.

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Notes to accounts (continued)

21 Ultimate parent company

The company is a subsidiary undertaking of Lumiere S.A. (formerly Investments en Droits Audiovisuels S.A) a company incorporated in France.

The smallest and largest group of which the company is a member and for which group accounts are drawn up is that headed by Lumiere S.A. These consolidated accounts are not available to the public.

The parent company has provided written assurance that it will continue to provide such financial support as is necessary for the company to operate as a going concern and meet their liabilities as they fall due.