

**Touche  
Ross**

Deloitte Touche  
Tchmatsu  
International



Company Registration No. 2668459

## **LUMIERE PICTURES LIMITED**

### **Report and Financial Statements**

**31 December 1994**

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



**REPORT AND FINANCIAL STATEMENTS 1994**

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**REPORT AND FINANCIAL STATEMENTS 1994**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Jean Cazès  
Philippe H M Geoffroy

**SECRETARY**

Calibre Films Limited

**REGISTERED OFFICE**

167/9 Wardour Street  
London  
W1V 3TA

**BANKERS**

National Westminster Bank Plc  
Coutts & Co.

**SOLICITORS**

Armstrong & Hirsch  
Warner Cranston

**AUDITORS**

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

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1994.

### **ACTIVITIES**

The principal activities of the group are the development, financing and acquisition of motion pictures and their exploitation in theatrical, television and home-viewing markets worldwide.

The directors expect the general level of activities to continue to rise during the coming year.

### **RESULTS AND TRANSFERS TO RESERVES**

The profit attributable to the shareholders amounts to \$3,408,386 (1993 - loss of \$3,746,357) and has been transferred to reserves.

### **DIVIDENDS**

The directors do not recommend payment of a dividend (1993 - nil).

### **FIXED ASSETS**

Changes in the fixed assets of the group and the company during the year are shown in notes 9 to 11 to the accounts.

### **DIRECTORS AND THEIR INTERESTS**

Jean Cazès  
Philippe H M Geoffroy  
Ralph M Kamp (resigned 23 June 1995)  
David A J Adair (resigned 27 March 1995)

None of the directors held any shares in the company or any other group companies incorporated in the United Kingdom at any time in the year.

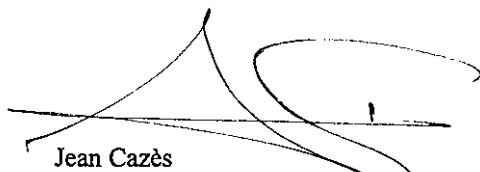
### **DIRECTORS' AND OFFICERS' LIABILITY**

Directors' and officers' liability insurance has been purchased by the company during the year.

### **AUDITORS**

Touche Ross & Co. were appointed as auditors during the year and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



Jean Cazès

Director

3 August 1995

**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 the group as at the end of the financial year and of the profit or loss of the group 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;
- prepare the financial statements on a 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 company and group and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## Chartered Accountants

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

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## AUDITORS' REPORT TO THE MEMBERS OF

### LUMIERE PICTURES LIMITED

We have audited the financial statements on pages 5 to 23 which have been prepared under the accounting policies set out on page 9 and 10.

#### 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 company's and 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.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and group at 31 December 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

TOUCHE ROSS & CO

Chartered Accountants and  
Registered Auditors

3 August 1995

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1994**

	Note	1994 \$	1993 \$
<b>TURNOVER</b>	2	35,422,238	13,516,461
Cost of sales		<u>(21,799,906)</u>	<u>(8,507,104)</u>
<b>Gross profit</b>		13,622,332	5,009,357
Other operating expenses	3	<u>(6,796,179)</u>	<u>(6,448,392)</u>
<b>Operating profit/(loss)</b>		6,826,153	(1,439,035)
Interest receivable	4	285,653	128,853
Interest payable	5	<u>(2,797,077)</u>	<u>(2,345,637)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	6	4,314,729	(3,655,819)
Tax on profit/(loss) on ordinary activities	8	<u>(906,343)</u>	<u>(90,538)</u>
<b>Profit/(loss) for the financial year</b>		3,408,386	(3,746,357)
Profit and loss account brought forward		<u>(5,240,039)</u>	<u>(1,493,682)</u>
Profit and loss account carried forward		<u><u>(1,831,653)</u></u>	<u><u>(5,240,039)</u></u>

A statement of total recognised gains and losses is not included in these accounts as there are no recognised gains or losses in either the current or the previous financial year other than the profit/(loss) reported above.

All activities derive from continuing operations.


**CONSOLIDATED BALANCE SHEET**  
**31 December 1994**

	Note	1994 \$	1993 \$
<b>FIXED ASSETS</b>			
Intangible assets	9	62,544,482	63,428,029
Tangible assets	10	821,219	960,749
		<u>63,365,701</u>	<u>64,388,778</u>
<b>CURRENT ASSETS</b>			
Stock	12	279,035	-
Debtors	13	15,170,819	5,080,774
Cash at bank and in hand		10,921,444	7,128,334
		<u>26,371,298</u>	<u>12,209,108</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(12,207,608)</u>	<u>(3,474,952)</u>
<b>NET CURRENT ASSETS</b>		<u>14,163,690</u>	<u>8,734,156</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>77,529,391</u>	<u>73,122,934</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	<u>(45,024,886)</u>	<u>(47,518,959)</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	<u>(7,836,158)</u>	<u>(4,344,014)</u>
<b>NET ASSETS</b>		<u>24,668,347</u>	<u>21,259,961</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	17	146	146
Share premium account	19	26,499,854	26,499,854
Profit and loss account	19	<u>(1,831,653)</u>	<u>(5,240,039)</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>24,668,347</u>	<u>21,259,961</u>

These financial statements were approved by the Board of Directors on 3 August 1995.

Signed on behalf of the Board of Directors

Jean Cazès

Director




**COMPANY BALANCE SHEET**  
**31 December 1994**

	Note	1994 \$	1993 \$
<b>FIXED ASSETS</b>			
Intangible assets	9	54,652,721	51,110,042
Tangible assets	10	794,921	915,951
Investments	11	13,937,790	13,937,790
		<u>69,385,432</u>	<u>65,963,783</u>
<b>CURRENT ASSETS</b>			
Debtors	13	17,609,552	8,516,392
Cash at bank and in hand		10,677,472	7,043,419
		<u>28,287,024</u>	<u>15,559,811</u>
<b>CREDITORS: amounts falling due within one year</b>	14	(21,949,964)	(10,100,300)
		<u>6,337,060</u>	<u>5,459,511</u>
<b>NET CURRENT ASSETS</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		75,722,492	71,423,294
<b>CREDITORS: amounts falling due after more than one year</b>	15	(45,024,886)	(47,518,959)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(6,066,431)	(2,680,173)
		<u>24,631,175</u>	<u>21,224,162</u>
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	17	146	146
Share premium account	19	26,499,854	26,499,854
Profit and loss account	19	(1,868,825)	(5,275,838)
		<u>24,631,175</u>	<u>21,224,162</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			

These financial statements were approved by the Board of Directors on 3 August 1995.

Signed on behalf of the board of Directors

Jean Cazès

Director



**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 December 1994**

	Note	1994	1993
		\$	\$
<b>Net cash inflow from operating activities</b>	20	14,842,512	2,653,383
<b>Returns on investments and servicing of finance</b>			
Interest received		285,653	128,853
Interest paid		(2,189,111)	(2,259,503)
Interest element of finance lease rentals		3,413	(5,769)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(1,906,871)	(2,136,419)
<b>Taxation</b>			
UK corporation tax paid		-	(2,719)
Overseas tax paid		(1,393,813)	-
<b>Tax paid</b>		(1,393,813)	(2,719)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(289,785)	(392,838)
Proceeds from disposal of fixed assets		79,262	-
Purchase of intangible fixed assets		(2,070,554)	(1,527,207)
Purchase of new projects		(10,442,454)	(8,305,851)
<b>Net cash outflow from investing activities</b>		(12,723,531)	(10,225,896)
<b>Net cash outflow before financing</b>		(1,181,703)	(9,711,651)
<b>Financing</b>			
Issue of ordinary share capital		-	11,500,000
New loans and deferred consideration	21	5,274,119	9,678,825
Repayment of loans	21	(291,975)	(12,000,000)
Capital element of finance leases	21	(7,331)	(8,483)
<b>Net cash inflow from financing</b>		4,974,813	9,170,342
<b>Increase/(decrease) increase in cash and cash equivalents</b>	22	3,793,110	(541,309)

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

The directors believe that balances classified under fixed asset investments in new projects in prior years are more accurately disclosed under intangible fixed assets as development and production expenditure. Accordingly prior year balances have been reclassified for consistency with the new presentation.

**Accounting convention**

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

**Basis of consolidation**

The group accounts consolidate the accounts of Lumiere Pictures Limited and all its subsidiary undertakings up to 31 December 1994. The acquisition method of accounting has been adopted.

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.

**Turnover**

Turnover comprises the value of sales (excluding VAT and trade discounts) in the normal course of business. Sales are recognised when contractually due.

**Intangible fixed assets**

Costs relating to film development and production are capitalised as development and production expenditure.

The capitalised cost of development expenditure and film licensing rights are amortised in line with anticipated future revenues. The amortisation charge is expensed as a cost of sale.

**Tangible fixed assets**

Tangible fixed assets are shown at cost less accumulated depreciation.

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.

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
Film masters	3 years

**Stock**

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

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**

**Investments**

Fixed assets investments are shown at cost less provisions for permanent diminution in value.

**Taxation**

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

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

**Provisions**

A provision is made for estimated royalties payable on revenue recognised during the period.

**Foreign currency**

Transactions denominated in foreign currencies are recorded in US dollars at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year 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.

**Leases**

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital rentals and are charged to profit and loss in equal annual amounts over the lease term.

**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 comprises 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 lives of scheme members. The company also contributes to private pension schemes of directors and employees. (Further information on pension costs is provided in note 23).

**2. PROFIT AND LOSS ACCOUNT**

The analysis of turnover and profit on ordinary activities has been omitted because the directors consider such information would be prejudicial to the interests of the group.

No profit and loss account is presented for Lumiere Pictures Limited as provided by S.230 of the Companies Act 1985. The company's profit for the financial year, determined in accordance with the Act, was \$3,407,013 (1993: loss of \$3,782,156).

**3. OTHER OPERATING EXPENSES**

Other operating expenses comprise selling and administrative expenses.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**

**4. INTEREST RECEIVABLE**

Investment income comprises:

	1994 \$	1993 \$
Interest income from bank deposits	285,653	128,853

**5. INTEREST PAYABLE**

	1994 \$	1993 \$
On bank and other loans		
- repayable within five years, by instalment	50,139	22,773
- repayable after five years, by instalment	-	1,882,740
- other	2,746,938	440,124
	2,797,077	2,345,637

**6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

Profit/(loss) on ordinary activities before taxation is stated after charging:

	1994 \$	1993 \$
Depreciation and amounts written off		
Intangible fixed assets	13,396,555	4,443,836
Tangible fixed assets:		
- Owned	336,938	260,332
- Held under finance leases	13,115	13,114
Operating lease rentals	704,896	691,398
Auditors' remuneration:		
- audit fees	62,370	39,750
- other services	-	17,377
Staff costs (see note 7)	2,045,629	2,201,176

**7. STAFF COSTS**

	1994 \$	1993 \$
Employee costs during the year amounted to:		
Wages and salaries	1,816,723	1,996,479
Social security costs	171,246	138,645
Other pension costs	57,660	66,052
	2,045,629	2,201,176



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**

**7. STAFF COSTS (cont)**

The average weekly number of persons employed by the group during the year were as follows:

	<b>1994</b>	<b>1993</b>
	<b>Number</b>	<b>Number</b>
	<b>employed</b>	<b>employed</b>
Sales	4	4
Administration	38	38
	<u>42</u>	<u>42</u>

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

	<b>1994</b>	<b>1993</b>
	<b>\$</b>	<b>\$</b>
Directors' emoluments including pension contributions	380,918	221,364
Compensation for loss of office	-	51,134
	<u>380,918</u>	<u>272,498</u>
Remuneration of the highest paid director (excluding pension contributions)	<u>221,908</u>	<u>95,311</u>

Directors' remuneration (excluding pension contributions) was paid in the following ranges:

	<b>Number</b>	<b>Number</b>
£ 0 - £ 5,000	-	3
£ 15,001 - £ 20,000	-	1
£ 50,001 - £ 55,000	-	1
£ 60,001 - £ 65,000	-	1
£ 90,001 - £ 95,000	1	-
£ 145,001 - £ 150,000	1	-
	<u>1</u>	<u>-</u>

Average exchange rate for the year was £1 = \$1.53 (1993 - £1 = \$1.50)

**8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	<b>1994</b>	<b>1993</b>
	<b>\$</b>	<b>\$</b>
Corporation tax at 33% (1993 - 33%)	634,000	2,719
Deferred taxation arising from capital allowances	63,000	87,819
Unrelieved overseas taxation	209,343	-
	<u>906,343</u>	<u>90,538</u>

The tax charge for the year is low because of the availability of losses brought forward from earlier years.


**NOTES TO THE ACCOUNTS**
**Year ended 31 December 1994**
**9. INTANGIBLE FIXED ASSETS**

	<b>1994</b>		<b>1993</b>	
	<b>Group \$</b>	<b>Company \$</b>	<b>Group \$</b>	<b>Company \$</b>
<b>Development and production expenditure</b>	12,149,300	12,174,300	8,221,241	4,880,198
<b>Film licensing rights</b>	50,395,182	42,478,421	55,206,788	46,229,844
	<u>62,544,482</u>	<u>54,652,721</u>	<u>63,428,029</u>	<u>51,110,042</u>
<b>Development and production expenditure</b>				
<b>Cost</b>				
At 1 January	8,797,275	5,456,232	1,447,000	1,447,000
Additions	10,442,454	13,808,497	8,305,851	8,305,851
Transfers to film licensing rights	-	-	(955,576)	(955,576)
Disposals	-	-	-	(3,341,043)
	<u>19,232,729</u>	<u>19,264,729</u>	<u>8,797,271</u>	<u>5,456,232</u>
<b>Amounts written off</b>				
At 1 January	576,034	576,034	-	-
Charge	6,514,395	6,514,395	-	-
Amounts written off	-	-	576,034	576,034
	<u>7,090,429</u>	<u>7,090,429</u>	<u>576,034</u>	<u>576,034</u>
<b>At 31 December</b>	<u>12,149,300</u>	<u>12,174,300</u>	<u>8,221,241</u>	<u>4,880,198</u>
<b>Net book value</b>				
At 1 January	8,221,241	4,880,198	1,447,000	1,447,000
	<u>12,149,300</u>	<u>12,174,300</u>	<u>8,221,241</u>	<u>4,880,198</u>
<b>At 31 December</b>	<u>12,149,300</u>	<u>12,174,300</u>	<u>8,221,241</u>	<u>4,880,198</u>
<b>Included in the Net Book Value are:</b>				
Films in development	1,024,039			
Films in production	8,143,765			
Completed films	2,981,496			
	<u>12,149,300</u>			

Included in additions for the company in 1994 are amounts transferred from Fresh Productions Inc., a subsidiary undertaking.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**
**9. INTANGIBLE FIXED ASSETS (cont.)**
**Film licensing rights**

	<b>1994</b>		<b>1993</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>				
At 1 January	63,530,678	52,621,768	61,047,895	50,138,985
Additions	2,079,805	2,079,805	1,527,207	1,527,207
Transfers from development and production expenditure	-	-	955,576	955,576
Transfer to current assets	(9,251)	(9,251)	-	-
<b>At 31 December</b>	<b>65,601,232</b>	<b>54,692,322</b>	<b>63,530,678</b>	<b>52,621,768</b>
<b>Amounts written off</b>				
At 1 January	8,323,890	6,391,924	3,880,054	2,623,339
Charge	6,882,160	5,821,977	4,443,836	3,768,585
<b>At 31 December</b>	<b>15,206,050</b>	<b>12,213,901</b>	<b>8,323,890</b>	<b>6,391,924</b>
<b>Net book value</b>				
At 1 January	55,206,788	46,229,844	57,167,841	47,515,646
<b>At 31 December</b>	<b>50,395,182</b>	<b>42,478,421</b>	<b>55,206,788</b>	<b>46,229,844</b>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**
**10. TANGIBLE FIXED ASSETS**

	Motor Vehicles \$	Film Masters \$	Plant and Machinery \$	Fixtures and Fittings \$	Total \$
<b>GROUP</b>					
<b>Cost</b>					
At 1 January 1994	-	-	131,547	1,204,940	1,336,487
Additions	58,493	87,661	33,539	110,092	289,785
Disposals	(58,493)	-	(1,645)	(36,251)	(96,389)
At 31 December 1994	-	87,661	163,441	1,278,781	1,529,883
<b>Accumulated Depreciation</b>					
At 1 January 1994	-	-	58,409	317,329	375,738
Charge	-	26,747	42,056	281,250	350,053
Eliminated on disposal	-	-	(377)	(16,750)	(17,127)
At 31 December 1994	-	26,747	100,088	581,829	708,664
<b>Net book value</b>					
At 31 December 1993	-	-	73,138	887,611	960,749
At 31 December 1994	-	60,914	63,353	696,952	821,219
Leased assets included in the above:					
Net book value at 31 December 1993	-	-	-	39,341	39,341
Net book value at 31 December 1994	-	-	-	26,226	26,226


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**
**10. TANGIBLE FIXED ASSETS (continued)**

	Motor Vehicles \$	Film Masters \$	Plant and Machinery \$	Fixtures and Fittings \$	Total \$
<b>COMPANY</b>					
Cost					
At 1 January 1994	-	-	131,547	1,158,688	1,290,235
Additions	58,493	87,661	33,539	110,092	289,785
Disposals	(58,493)	-	(1,645)	(36,251)	(96,389)
At 31 December 1994	-	87,661	163,441	1,232,529	1,483,631
Depreciation					
At 1 January 1994	-	-	58,409	315,875	374,284
Charge	-	26,747	42,056	262,750	331,553
Eliminated on disposal	-	-	(377)	(16,750)	(17,127)
At 31 December 1994	-	26,747	100,088	561,875	688,710
Net book value					
At 31 December 1993	-	-	73,138	842,813	915,951
At 31 December 1994	-	60,914	63,353	670,654	794,921
Leased assets included in the above:					
Net book value					
At 31 December 1993	-	-	-	39,341	39,341
Net book value					
At 31 December 1994	-	-	-	26,226	26,226


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**
**11. FIXED ASSET INVESTMENTS**

	1994 Group \$	1994 Company \$	1993 Group \$	1993 Company \$
Investment in new projects as previously reported	-	-	8,221,241	4,880,198
Transferred to intangible fixed assets as development and production expenditure	-	-	(8,221,241)	(4,880,198)
Investments in new projects as restated	-	-	-	-
Subsidiary undertakings, at cost	-	13,937,790	-	13,937,790
	-	13,937,790	-	13,937,790

**Principal subsidiaries**

	Country of incorporation	Principal activity and country of operation	Percentage of ordinary share capital held
Lumiere (Rights) Limited	UK	Film distribution (UK)	100%
Lumiere Video Limited	UK	Film distribution (UK)	100%
Lumiere Leisure Limited	UK	Dormant (UK)	100%
Lumiere Enterprises Limited	UK	Dormant (UK)	*100%
Springscreen Inc	USA	Film distribution (USA)	100%
Lumiere Films Inc.	USA	Agents sourcing new projects (USA)	100%
Fresh Productions Inc.	USA	Film production (USA)	*100%

\* Investments held by subsidiary undertaking

All subsidiary undertakings have been consolidated.

**12. STOCKS**

	1994 Group \$	1994 Company \$	1993 Group \$	1993 Company \$
Finished goods and goods for resale	279,035	-	-	-


**NOTES TO THE ACCOUNTS**
**Year ended 31 December 1994**
**13. DEBTORS**

	1994		1993	
	Group \$	Company \$	Group \$	Company \$
Amounts falling due within one year:				
Trade debtors	5,786,915	5,473,972	4,505,759	4,505,759
Amounts owed by subsidiary undertakings	-	3,253,920	-	3,476,047
Amounts owed by other group undertakings	3,853,942	3,853,942	269,551	269,551
Other debtors	885,260	885,260	108,218	108,218
Prepayments and accrued income	4,644,702	4,142,458	197,246	156,817
	<u>15,170,819</u>	<u>17,609,552</u>	<u>5,080,774</u>	<u>8,516,392</u>

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1994		1993	
	Group \$	Company \$	Group \$	Company \$
Obligations under finance leases (see note 15)	11,754	11,754	9,664	9,664
Trade creditors	2,150,784	2,150,784	83,364	83,364
Amounts owed to subsidiary undertakings	-	10,038,840	-	6,625,348
Amounts owed to other group undertakings	3,525,607	3,525,607	-	-
Other creditors including taxation and social security	3,745,119	3,524,119	2,205,553	2,205,553
Accruals and deferred income	2,774,344	2,698,860	1,176,371	1,176,371
	<u>12,207,608</u>	<u>21,949,964</u>	<u>3,474,952</u>	<u>10,100,300</u>

Included in amounts owed to other group undertakings is the remaining balance of \$2,136,850 due on a loan of \$2.95 million which is secured by way of a fixed charge over the company's rights in specified films purchased during 1993. Interest is charged at the three month London Interbank Offered Rate plus 2%.

Included in other creditors is a loan facility on which the balance is \$3,524,119 at the year end. The loan is secured on the rights to a specific film.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**
**15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group and Company 1994	Group and Company 1993
	\$	\$
Loan (see below)	45,000,000	45,000,000
Obligations under finance leases (see note below)	24,886	34,307
Amounts owed to other group undertakings	-	678,825
Other creditors	-	1,805,827
	<u>45,024,886</u>	<u>47,518,959</u>

The \$45,000,000 loan is repayable in six annual 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 on 19 March 1993. In addition, it is secured by way of a fixed charge over the share capital of Lumiere (Rights) Limited. Interest is charged at the 180 day London Interbank Offered Rate plus 1.5%.

Obligations under finance leases are repayable as follows:

	Group and Company 1994	Group and Company 1993
	\$	\$
Due within 1 year	14,364	14,364
Due within 2-5 years	25,135	39,499
	<u>39,499</u>	<u>53,863</u>
Less: finance charges allocated to future years	(2,859)	(9,892)
	<u>36,640</u>	<u>43,971</u>

**16. PROVISIONS FOR LIABILITIES AND CHARGES**

	1994		1993	
	Group \$	Company \$	Group \$	Company \$
Deferred taxation	792,756	63,000	729,756	-
Provision for royalties payable	7,043,402	6,003,431	2,734,440	2,000,355
Other provisions	-	-	879,818	679,818
	<u>7,836,158</u>	<u>6,066,431</u>	<u>4,344,014</u>	<u>2,680,173</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**

**16. PROVISIONS FOR LIABILITIES AND CHARGES (continued)**

**Deferred taxation**

The movement on deferred taxation comprises:

	<b>Group</b> <b>\$</b>
At 1 January 1994	729,756
Charge to profit and loss in respect of capital allowances	63,000
	<hr/>
At 31 December 1994	792,756
	<hr/>

There are no significant amounts of unprovided deferred taxation.

**Provision for royalties**

The movement in the provision for royalties is comprises:

	<b>Group</b> <b>\$</b>	<b>Company</b> <b>\$</b>
At 1 January 1994	2,734,440	2,000,355
At 1 January 1994 - Transfer from creditors	1,061,493	1,061,493
Royalties paid in the year	(1,329,712)	(675,686)
Charged to profit and loss account	4,577,181	3,617,269
	<hr/>	<hr/>
At 31 December 1994	7,043,402	6,003,431
	<hr/>	<hr/>

**Other provisions**

The movement on other provisions comprises:

	<b>Group</b> <b>\$</b>	<b>Company</b> <b>\$</b>
At 1 January 1994	879,818	679,818
Amounts paid in the year	(411,167)	(411,167)
Credited to profit and loss account	(468,651)	(268,651)
	<hr/>	<hr/>
At 31 December 1994	-	-
	<hr/>	<hr/>

**17. CALLED-UP SHARE CAPITAL**

	<b>1994</b> <b>\$</b>	<b>1993</b> <b>\$</b>
<b>Authorised</b>		
100 ordinary shares of £1 each	180	180
	<hr/>	<hr/>
	<b>\$</b>	<b>\$</b>
<b>Allotted, called-up and fully-paid</b>		
87 ordinary shares of £1 each	146	146
	<hr/>	<hr/>


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994**
**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1994	1993
	Group	Group
	\$	\$
Profit/(loss) for the year	3,408,386	(3,746,357)
Issue of shares	-	11,500,000
	<u>3,408,386</u>	<u>7,753,643</u>
Increase in shareholders' funds	3,408,386	7,753,643
Opening shareholders' funds	21,259,961	13,506,318
	<u>24,668,347</u>	<u>21,259,961</u>
Closing shareholders' funds	<u>24,668,347</u>	<u>21,259,961</u>

**19. RESERVES**

	1994	1993	1993	1993
	Group	Company	Group	Company
	\$	\$	\$	\$
Profit and loss account	(1,831,653)	(1,868,825)	(5,240,039)	(5,275,838)
Share premium account	26,499,854	26,499,854	26,499,854	26,499,854
	<u>24,668,201</u>	<u>24,631,029</u>	<u>21,259,815</u>	<u>21,224,016</u>
Total reserves	<u>24,668,201</u>	<u>24,631,029</u>	<u>21,259,815</u>	<u>21,224,016</u>

**20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1994	1993
	\$	\$
Operating profit/(loss)	6,826,153	(1,439,035)
Depreciation and amortisation charges	13,746,608	5,293,316
Increase in stocks	(279,035)	-
Increase in debtors	(9,318,575)	(3,911,669)
Increase in creditors and provisions	3,867,361	2,710,771
	<u>14,842,512</u>	<u>2,653,383</u>
Net cash inflow from operating activities	<u>14,842,512</u>	<u>2,653,383</u>

**21. ANALYSIS OF CHANGES IN FINANCING**

	Share capital and share premium	Loans	Finance lease
	\$	\$	\$
At 1 January 1994	26,500,000	45,678,825	43,971
Cash inflow/(outflow) from financing	-	4,982,144	(7,331)
	<u>26,500,000</u>	<u>50,660,969</u>	<u>36,640</u>
At 31 December 1994	<u>26,500,000</u>	<u>50,660,969</u>	<u>36,640</u>


**NOTES TO THE ACCOUNTS**
**Year ended 31 December 1994**
**22. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	Cash at bank and in hand	
	1994	1993
	\$	\$
At 1 January	7,128,334	7,669,643
Net cash inflow/(outflow)	3,793,110	(541,309)
At 31 December	<u>10,921,444</u>	<u>7,128,334</u>

**23. GUARANTEES AND OTHER FINANCIAL COMMITMENTS**
**Capital commitments**

At the year end the company had contracted to pay \$3.37 million (1993 - \$1.8 million) in respect of future film projects.

**Lease commitments**

The company leases motor vehicles, the payments of which extend over a period of up to three years. The total annual rental for 1994 was \$58,337 (1993 - \$73,282).

In addition the company leases certain land and buildings on long-term leases. The annual rental on these leases was \$624,687 (1993 - \$618,115). 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 minimum annual rentals under the foregoing leases are as follows:

	Group and Company		Group and Company	
	Property	Property	Motor	Motor
	1994	1993	vehicles	vehicles
	\$	\$	1994	1993
			\$	\$
Operating leases which expire:				
- within one year	-	-	3,960	13,420
- within 2 to 5 years	278,838	254,057	33,535	33,730
- after 5 years	388,203	367,500	-	-
	<u>667,041</u>	<u>621,557</u>	<u>37,495</u>	<u>47,150</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1994****23. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (continued)****Pension arrangements**

The company contributes to the Lumiere Pictures Limited pension plan which is a defined benefit plan.

The pension cost in relation to this plan for the year amounted to \$30,549 (1993 - \$33,069). 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 1994 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 7½% per annum. The market value of the assets of the plan as at 5 April 1994 was \$1,127,490 (£1 = \$1.47) which at that time was sufficient to cover 98% of the benefits which had accrued to members of the scheme.

The company also contributed to the personal pension plans of 2 directors (1993 - 3) and 10 employees (1993 - 2). The cost for the year amounted to \$27,111 (1993 - \$32,983).

**24. ULTIMATE PARENT COMPANY**

The company is a subsidiary undertaking of Lumiere SA, a company incorporated in France.

The ultimate parent company is Caisse des Dépôts et Consignations SA, 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.