

CITY SCREEN (S.O.A.) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1997



Company No. 3060554

CITY SCREEN (S.O.A.) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1997

Company registration number:

3060554

Registered and administrative office:

86 Dean Street
LONDON
W1V 5AA

Directors:

Lyn M Goleby
Anthony J Jones

Secretary:

Jacquelyn Sherwood

Group bankers:

Barclays Bank plc
National Westminster Bank plc

Auditors:

Grant Thornton
Registered Auditors
Chartered Accountants
Grant Thornton House
Melton Street
LONDON
NW1 2EP

CITY SCREEN (S.O.A.) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1997

INDEX	PAGE
Notice of Annual General Meeting	1
Report of the directors	2 - 3
Report of the auditors	4
Accounting policies	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 13

CITY SCREEN (S.O.A.) LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of the company will be held at 38 Curzon Street, London W1Y 8EY at 3.30pm on 29 July 1998, for the following purposes:

- 1 To receive and adopt the financial statements for the year ended 31 December 1997.
- 2 To re-elect the auditors
- 3 To transact any other ordinary business of the company.

APPROVED AND SIGNED ON BEHALF OF THE BOARD OF DIRECTORS
ON 29 JUNE 1998



Jacquelyn Sherwood
Secretary

Registered office:
86 Dean Street
LONDON
W1V 5AA

NOTE:

A member of the company entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote on his behalf. A proxy need not also be a member of the company. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, must be deposited with the secretary of the company at the registered office not less than 48 hours before the time for holding the meeting.

CITY SCREEN (S.O.A.) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31 December 1997.

Business review

The principal activity of the company comprised the operation of a cinema. The company commenced trading on 2 May 1997.

The results for the year ended 31 December 1997 are shown in the profit and loss account. The loss for the year of £111,515 (1996: (£20,922)) has been carried forward.

Dividends

The directors do not recommend the payment of a dividend.

Directors

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

Lyn M Goleby
Anthony J Jones

Neither of the directors were interested in the share capital of the company.

Lyn M Goleby and Anthony J Jones are also directors of the holding company. Their interests in the shares of City Screen Limited are disclosed in that company's financial statements.

Directors' responsibilities for the financial statements

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 profit or loss of the company for that year. 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

CITY SCREEN (S.O.A.) LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities (continued)

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



JACQUELYN SHERWOOD
Secretary

29 June 1998

REPORT OF THE AUDITORS TO THE MEMBERS OF

CITY SCREEN (S.O.A.) LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on pages 2 and 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.

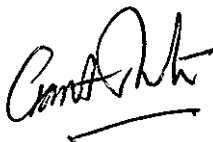
Basis of opinion

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 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 company's affairs as at 31 December 1997 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON**

29 JUNE 1998

CITY SCREEN (S.O.A.) LIMITED

PRINCIPAL ACCOUNTING POLICIES

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

These financial statements are prepared in accordance with applicable accounting standards.

Basis of accounting

The financial statements have been prepared under the historical cost accounting rules set out in Schedule 4 of the Companies Act 1985. The company is exempt from producing a cashflow statement.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Depreciation and amortisation

Fixed assets are written down in equal instalments over their estimated useful lives. The annual rates of depreciation are:

Fixtures and fittings	- 15% cost
Plant and machinery	- 10-25% cost
Short leasehold	- over the period of the lease

Grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets.

Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account.

CITY SCREEN (S.O.A.) LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 DECEMBER 1997

	Note	1997 £	1996 £
Turnover	1	372,232	-
Cost of sales		<u>(253,961)</u>	<u>-</u>
Gross profit		118,271	-
Administrative expenses		<u>(223,123)</u>	<u>(20,922)</u>
Operating loss		(104,852)	(20,922)
Interest payable and similar charges	2	(6,663)	-
Interest receivable and similar income		<u>-</u>	<u>-</u>
Loss on ordinary activities before taxation	3	(111,515)	(20,922)
Taxation	4	<u>-</u>	<u>-</u>
Loss for the financial year transferred to reserves	11	<u>(111,515)</u>	<u>(20,922)</u>

All transactions arise from continuing operations.

There were no other recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

CITY SCREEN (S.O.A.) LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	5	<u>904,740</u>	<u>235,663</u>
Current assets			
Stocks	6	7,991	-
Debtors	7	85,088	54,704
Cash at bank and in hand		<u>18,943</u>	<u>736</u>
		112,022	55,440
Creditors: amounts falling due within one year	8	<u>(348,964)</u>	<u>(200,541)</u>
Net current liabilities		<u>(236,942)</u>	<u>(145,101)</u>
Total assets less current liabilities		667,798	90,562
Creditors: amounts falling due after more than one year	9	<u>(800,233)</u>	<u>(111,482)</u>
		<u>(132,435)</u>	<u>(20,920)</u>
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account	11	<u>(132,437)</u>	<u>(20,922)</u>
Shareholders' funds	12	<u>(132,435)</u>	<u>(20,920)</u>

Approved and signed on behalf of the Board of Directors on 29th June 1998.

LYN M GOLEBY - DIRECTOR



The accompanying accounting policies and notes form an integral part of these financial statements.

CITY SCREEN (S.O.A.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1997

1 TURNOVER

Turnover comprises ticket sales and ancillary income, excluding Value Added Tax. All turnover arose within the United Kingdom from the operation of a cinema.

2 INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
On loans and overdrafts wholly repayable within five years	<u>6,663</u>	<u>-</u>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £	1996 £
(a) The profit is stated after charging:		
Depreciation on fixed assets	36,936	-
Other operating lease rentals	<u>1,200</u>	<u>-</u>

The auditors' remuneration is borne by the parent undertaking.

(b) Staff costs: The average number of employees during the year was as follows:

	Number of staff	
Management and administration	3	-
Operational	<u>11</u>	<u>-</u>
	14	-

Staff costs during the year were as follows:

Wages and salaries	89,595	-
Social security	<u>7,408</u>	<u>-</u>
	<u>97,003</u>	<u>-</u>

None of the directors were remunerated for their services during the year.

CITY SCREEN (S.O.A.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1997

4 TAXATION

	1997 £	1996 £
Corporation tax at 21 % (1996: 24%)		-

5 TANGIBLE ASSETS

	Leasehold Improvement £	Plant & machinery £	Fixtures & fittings £	Total £
Cost				
At 1 January 1997	223,298	5,360	7,005	235,663
Additions	<u>554,221</u>	<u>80,162</u>	<u>71,630</u>	<u>706,013</u>
At 31 December 1997	<u>777,519</u>	<u>85,522</u>	<u>78,635</u>	<u>941,676</u>
Depreciation				
At 1 January 1997	-	-	-	-
Charge for the year	<u>19,953</u>	<u>9,416</u>	<u>7,567</u>	<u>36,936</u>
At 31 December 1997	<u>19,953</u>	<u>9,416</u>	<u>7,567</u>	<u>36,936</u>
Net book value				
At 31 December 1996	<u>223,298</u>	<u>5,360</u>	<u>7,005</u>	<u>235,663</u>
At 31 December 1997	<u>757,566</u>	<u>76,106</u>	<u>71,068</u>	<u>904,740</u>

6 STOCKS

	1997 £	1996 £
Goods for resale	<u>7,991</u>	<u>-</u>

CITY SCREEN (S.O.A.) LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 DECEMBER 1997

7 DEBTORS

	1997 £	1996 £
Owed by group undertakings	77,942	36,423
Trade debtors	1,098	-
Other debtors	111	18,281
Prepayments and accrued income	5,937	-
	<u>85,088</u>	<u>54,704</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Deferred income (note 9)	21,960	-
Current portion of loans (note 9)	23,292	5,625
Trade creditors	57,513	101,503
Owed to group undertakings	208,633	73,773
Other taxes and social security	7,004	-
Other creditors	2,079	-
Accruals and deferred income	28,483	19,640
	<u>348,964</u>	<u>200,541</u>

CITY SCREEN (S.O.A.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1997

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £	1996 £
Loans	146,083	24,375
Deferred Income	654,150	87,107
	<u>800,233</u>	<u>111,482</u>

The loan is non interest bearing and unsecured and is repayable by installments as follows:

	1997 £	1996 £
After one and within two years	26,450	7,500
After two and within five years	79,350	16,875
After five years	40,283	-
	<u>146,083</u>	<u>24,375</u>

	1997 £	1996 £
Capital grants received on tangible fixed assets:		
At 1 January 1996	101,747	-
Received during the year	589,003	101,747
Released to profit and loss account	(14,640)	-
	<u>676,110</u>	<u>101,747</u>

	1997 £	1996 £
Due for release:		
Within one year	21,960	14,640
After one year and within two years	21,960	27,690
After two and within five years	65,880	59,417
After five years	566,310	-
	<u>676,110</u>	<u>101,747</u>

CITY SCREEN (S.O.A.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1997

10 SHARE CAPITAL

	1997 £	1996 £
Authorised: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

11 PROFIT AND LOSS ACCOUNT

	1997 £
At 1 January 1997	(20,922)
Loss for the year	<u>(111,515)</u>
At 31 December 1997	<u>(132,437)</u>

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Loss for the financial year	(111,515)	(20,922)
Shareholders' funds at 1 January 1997	<u>(20,920)</u>	<u>2</u>
Shareholders' funds at 31 December 1997	<u>(132,435)</u>	<u>(20,920)</u>

13 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 1997 or at 31 December 1996.

CITY SCREEN (S.O.A.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 1997

14 CONTINGENT LIABILITIES

- a) During the year the company received a grant of £589,003 from the Arts Council of England which could become repayable if the company did not continue to meet the terms contained in the Lottery's Standard Conditions of Grant. The total grant received from the Arts Council of England is £690,750.

In the event of disposal of assets funded by the Arts Council of England they may have a residual interest in the proceeds of the disposal up to a share proportionate to their contribution to the original cost.

15 LEASING COMMITMENTS

Operating lease payments amounting to £20,000 (1996: £ -) are due within one year. The land and buildings leases to which these amounts relate expire between one and five years.

16 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of City Screen Limited, the company has taken advantage of the exemptions conferred by Financial Reporting Standard No. 8, not to separately disclose transactions with other group companies, on the grounds that its parent prepares consolidated accounts which are available from Companies House.

17 PARENT UNDERTAKING

The ultimate parent undertaking of the company is City Screen Limited, a company registered in England and Wales, who are the smallest and largest undertaking required to consolidate the results of the company.