

Digital Projection Limited
Directors' report and financial statements
for the year ended 31 December 2000

Registered Number 03287264



Digital Projection Limited

Directors' report and financial statements for the year ended 31 December 2000

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Digital Projection Limited

Officers and professional advisors for the year ended 31 December 2000

Directors

D P Abajian
J M Blackburn
B R Critchley
T J Cronin
J Davison
R L Gelfond
M A Gibbon
D Green
M N Levi
RD Lister
E P MacNeil
D J Quinn
B J Wechsler

Secretary

R D Lister

Auditors

PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors

Garrett and Co Solicitors
Bank House
9 Charlotte Street
Manchester
M1 4EU

Bankers

HSBC Bank plc	Lloyds Bank plc
PO Box 349	100 King Street
53 King Street	Manchester
Manchester	M60 2LE
M60 2HD	

Registered Office

Greenside Way
Middleton
Manchester
M24 1XX

Digital Projection Limited

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements of the company for the year ended 31 December 1999.

Principal activities

The principal activity of the company is the research, development, manufacture and sale of large screen projectors.

Review of business and future developments

Digital Projection Limited produces and sells high brightness, large screen electronic projectors. These projectors utilise the Digital Micromirror Device produced by Texas Instruments, Dallas, USA.

The company's headquarters are in Middleton, Manchester where products are developed and manufactured.

The company's immediate parent company is a wholly owned subsidiary of Imax Corporation, a company incorporated in Canada, one of the world's leading entertainment technology companies specialising in giant screen images and 3D presentations. The company is assisting Imax Corporation in developing the next generation of advanced Digital Light Processing based projectors, which will revolutionise movie theatres and create many new digital media applications.

Results and dividends

The directors do not recommend a dividend on the "A" ordinary shares.

Directors and their interests

The directors who held office during the year are given below:

DP Abajian
J M Blackburn
B R Critchley
T J Cronin
J Davison
R L Gelfond
M A Gibbon
D Green
M N Levi
R D Lister
E P MacNeil
D J Quinn
B J Wechsler

None of the directors had an interest in the ordinary share capital of the company during the year. The current directors of the ultimate parent company, Imax Corporation, and details of their interests in the share capital of that company can be found in its accounts.

Research and development

The group has devoted substantial resources to research and development during the year. This, together with contracts with outside parties, will enable the company to maintain its leading position in technology and design.

Digital Projection Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 period.

The directors confirm that suitable accounting policies have been used and applied consistently. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2000 and that applicable accounting standards have been followed.

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

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



Director

29th June 2001

Digital Projection Limited

Auditors' report to the members of Digital Projection Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

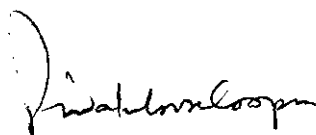
Basis of audit opinion

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 at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Manchester

29 June 2001

Digital Projection Limited

Profit and loss account for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Turnover	1	32,708	16,568
Cost of sales	3	(24,508)	(14,874)
Gross profit		8,200	1,694
Distribution costs	3	(2,844)	(3,357)
Administrative expenses	3	(4,565)	(4,140)
Operating profit/(loss)	1,4	791	(5,803)
Interest receivable and similar income		36	14
Profit/(loss) on ordinary activities after taxation		827	(5,789)
Tax on profit/(loss) on ordinary activities	5	-	-
Retained profit/(loss) for the financial year	14	827	(5,789)

The above results related to continuing operations.

Other than the result for the year there were no other recognised gains or losses.

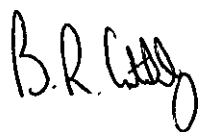
The notes on pages 9 to 15 form part of these financial statements.

Digital Projection Limited

Balance sheet as at 31 December 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	6	1,457	1,373
Investments	7	1	1
		1,458	1,374
Current assets			
Stocks	8	8,682	2,996
Debtors	9	15,946	11,074
Cash at bank and in hand		943	903
		25,571	14,973
Creditors: amounts falling due within one year	10	(31,861)	(27,755)
Net current liabilities		(6,290)	(12,782)
Total assets less current liabilities		(4,832)	(11,408)
Creditors: amounts falling due after more than one year	11	(8,949)	(3,200)
Provisions for liabilities and charges	12	-	-
Net liabilities		(13,781)	(14,608)
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	(13,781)	(14,608)
Equity shareholders' deficit	15	(13,781)	(14,608)

The financial statements on pages 5 to 15 were approved by the board of directors on *28 June* 2001 and signed on its behalf by:



Director

Digital Projection Limited

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.

Accounting convention

The financial statements are prepared under the historical cost convention.

Acquisitions

In accordance with FRS 6 and FRS 7, on the acquisition of a business, fair values are attributed to the assets and liabilities of the acquired business. Any excess of purchase consideration over the fair value of the assets acquired is purchased goodwill. Prior to 31 December 1998, goodwill was written off directly to the profit and loss reserve, with an annual transfer between distributable and non-distributable reserves reflecting the economic life of the goodwill which is estimated to be 20 years.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Short-term leasehold improvement	Over the term of the lease
Plant and machinery	15% per annum
Motor vehicles	25% per annum
Experimental test equipment	20% per annum
Fixtures, fittings, tools and computer equipment	Between 7.5% and 33.3% per annum

Provision is made for any permanent impairment in the carrying value of fixed assets as the directors consider appropriate.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Net realisable value is based on estimate selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

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

Leases

Operating lease rentals are charged to income in equal amounts over the lease term.

Pension costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Digital Projection Limited

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end or related forward contract rates.

Profits and losses arising in the normal course of trading and realised exchange differences arising on the conversion or repayment of foreign currency borrowings are dealt with in the profit and loss account.

Cashflow statement

The company has taken advantage of the exemption contained in FRS1 (Revised) and is not producing a cash flow statement as its ultimate parent company produces a consolidated cash flow statement.

Research and development

Research and development costs are written off to the profit and loss account as incurred.

Digital Projection Limited

Notes to the financial statements for the year ended 31 December 2000

1 Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit is attributable to the company's principal activity. A geographical analysis of the turnover and profit has not been provided due to the commercial sensitivity of such information.

2 Information regarding directors and employees

	2000 £000	1999 £000
Directors' emoluments		
Remuneration	699	381
Company pension contributions to money purchase scheme	16	5
	715	386
Emoluments of the highest paid director	160	109

Four of the directors were members of the company's defined benefit scheme. Total contributions made by the company to that scheme were £60,700.

The highest paid director was not a member of any of the company's pension schemes.

	2000 £000	1999 £000
Average number of persons employed		
Production	41	31
Sales and distribution	19	13
Administration	10	7
	70	51

	2000 £000	1999 £000
Staff costs during the year (including directors)		
Wages and salaries	2,390	1,270
Social security costs	210	117
Pension costs	218	134
	2,818	1,521

Digital Projection Limited

6 Tangible fixed assets

	Short-term leasehold improvements	Plant and machinery	Development and test equipment	Motor vehicles, fixtures, fittings tools, equipment and motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2000	384	856	1,698	373	3,311
Additions	239	166	36	317	758
Disposals	-	-	-	(23)	(23)
At 31 December 2000	623	1,022	1,734	667	4,046
Accumulated depreciation					
At 1 January 2000	357	423	998	160	1,938
Charge for the year	74	85	406	103	668
Disposals	-	-	-	(17)	(17)
At 31 December 2000	431	508	1,404	246	2,589
Net book value					
At 31 December 2000	192	514	330	421	1,457
Net book value					
At 31 December 1999	27	433	700	213	1,373

7 Investments

	Shares in subsidiaries £000
Cost and net book value	
At 31 December 2000 and 1999	1

Interests in subsidiaries

The investment represents 100% of the issued ordinary share capital of Digital Projection Inc., a company registered in United States of America. The principal activity of the company is the sale of large screen projectors.

Digital Projection Limited has taken advantage of the exemption in Section 28 of the Companies Act 1985 to not produce consolidated financial statements as it is itself a wholly owned subsidiary of Digital Projection International which produces consolidated financial statements.

Digital Projection Limited

8 Stocks

	2000 £000	1999 £000
Raw materials and consumables	4,560	1,861
Finished goods and goods for resale	4,122	1,135
	8,682	2,996

9 Debtors

	2000 £000	1999 £000
Trade debtors	2,502	1,279
Amounts owed by subsidiary company	13,293	9,342
Other debtors	151	353
Prepayments and accrued income	-	100
	15,946	11,074

10 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Trade creditors	7,146	3,030
Amounts owed to immediate parent company	22,461	22,519
Taxation and social security	113	55
Other creditors	232	221
Accruals and deferred income	1,909	1,930
	31,861	27,755

11 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Amounts owed to ultimate parent company	8,949	3,200

12 Provisions for liabilities and charges

There is no deferred taxation to be provided in the company, due to the availability of tax losses for the foreseeable future.

Digital Projection Limited

13 Called up share capital

The company had the following authorised share capital

	2000 £	1999 £
Authorised		
100 ordinary shares of £1 each	100	100
Called up, allotted and fully paid		
100 ordinary shares of £1 each	100	100

14 Profit and loss account

	£'000
Brought forward at 1 January 2000	(14,608)
Retained profit for the year	827
At 31 December 2000	(13,781)
The above reserves are split as follows:	
	£'000
Distributable	(9,157)
Non-distributable	(4,624)
	(13,781)

15 Reconciliation of movements in equity shareholders' deficit

	Profit and loss account	
	2000 £'000	1999 £'000
Profit / (loss) for the financial year attributable to the members	827	(5,789)
Opening equity shareholders' deficit	(14,608)	(8,819)
Closing equity shareholders deficit	(13,781)	(14,608)

Digital Projection Limited

16 Financial commitments

	2000 £	1999 £
Capital commitments		
Contracted for but not provided	130	-
Authorised but not yet contracted for	130	108

The following amounts are due for payment in the next financial year

	Land and buildings		Other	
	2000 £	1999 £	2000 £	1999 £
Leases which expire:				
Within one year	24	-	2	58
Within 2 to 5 years	205	116	90	58
After 5 years	-	-	-	-
	229	116	92	116

17 Ultimate parent company

The smallest and largest group in which the results of Digital Projection Limited and its subsidiaries are consolidated is that headed by the company's immediate parent, Digital Projection International Limited, registered in England and Wales. The financial statements can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The largest group in which the results of Digital projection Limited and its subsidiary is consolidated is that headed by the ultimate controlling party, Imax Inc., registered in Canada. The consolidated account of the group are available from Imax Corporation, 2525 Speakman Drive, Sheridan Science and Technology Park, Mississauga, Ontario, L5K 1B1, Canada.

18 Related party transactions

The company is a wholly owned subsidiary and has therefore taken advantage of the exemption contained in FRS8 "Related Party Disclosures", in not disclosing transactions with group companies.

There were no other related party transactions.

Digital Projection Limited

19 Financial support

Imax Corporation, the ultimate parent company, has given an undertaking to provide the necessary financial support to the company to meet its obligations as they fall due for payment.

The directors believe, therefore, that the company will continue as a going concern and have prepared the financial statements on that basis.

20 Pensions

Certain employees of the company are members of the group's defined benefit scheme. Details of the actuarial valuation of the scheme can be found in the financial statements of the parent company.