

UGC UK LIMITED
(formerly Lumiere Pictures Limited)

Report and Financial Statements

31 December 1995



Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

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REPORT AND FINANCIAL STATEMENTS 1995

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

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.

On 30 May 1996 the company changed its name to UGC UK Limited.

RESULTS AND TRANSFERS TO RESERVES

The results for the year are shown on page 5. The loss attributable to the shareholders amounts to \$5,054,915 (1994 - profit of \$3,408,386) and has been transferred to reserves.

The directors are confident that the group will return to profitability in 1996.

DIVIDENDS

The directors do not recommend payment of a dividend (1994 - nil).

DIRECTORS AND THEIR INTERESTS

The directors who have served during and since the year end are as follows:

D A J Adair	(resigned 27 March 1995)
R M Kamp	(resigned 23 June 1995)
J A Sutcliffe	(appointed 1 August 1995, resigned 22 March 1996)
J M Cazès	(resigned 8 May 1996)
P H M Geoffroy	(resigned 21 June 1996)
M Hullely	(appointed 1 August 1995, resigned 30 June 1996)
A Sussfeld	(appointed 23 January 1996)
P A Binet	(appointed 15 February 1996)
B Maccioni	(appointed 15 February 1996)

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.

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



B Maccioni

Director

30 September 1996

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 the 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS' REPORT TO THE MEMBERS OF
UGC UK LIMITED
(formerly Lumiere Pictures Limited)**

We have audited the financial statements on pages 5 to 22 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 2 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

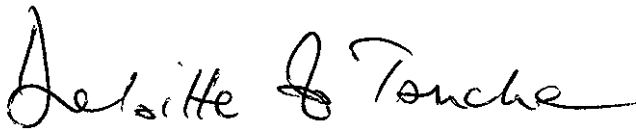
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also 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. However, the evidence available to us was limited in respect of production expenditure with a carrying value of \$5,291,568 classified within intangible fixed assets. The capitalised costs of production expenditure are amortised in line with the directors' estimates of anticipated future revenues. Sufficiently detailed revenue projections to support the directors' estimates for two completed films have not been made available to us, and there are no other satisfactory audit procedures that we could adopt to confirm the reasonableness of the carrying value of this production expenditure. Any adjustment to this figure would have a consequential effect on the loss for the year. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

Except for any adjustments to the financial statements that might have been found to be necessary had we been able to obtain sufficient evidence concerning the carrying value of production expenditure capitalised in intangible fixed assets, in our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group at 31 December 1995 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to production expenditure within intangible fixed assets, we have not obtained all the information and explanations that we considered necessary for the purposes of our audit.



DELOITTE & TOUCHE

Chartered Accountants and
Registered Auditors

30 September 1996

Hill House

1 Little New Street

London

EC4A 3TR

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1995

	Note	1995 \$	1994 \$
TURNOVER	2	32,557,582	35,422,238
Cost of sales		<u>(28,755,872)</u>	<u>(21,799,906)</u>
Gross profit		3,801,710	13,622,332
Other operating expenses	3	<u>(5,904,090)</u>	<u>(6,796,179)</u>
Operating (loss)/profit		(2,102,380)	6,826,153
Interest receivable	4	675,437	285,653
Interest payable	5	<u>(3,538,309)</u>	<u>(2,797,077)</u>
(Loss)/profit on ordinary activities before taxation	6	(4,965,252)	4,314,729
Tax on (loss)/profit on ordinary activities	8	<u>(89,663)</u>	<u>(906,343)</u>
(Loss)/profit on ordinary activities after taxation for the financial year		(5,054,915)	3,408,386
Profit and loss account brought forward		<u>(1,831,653)</u>	<u>(5,240,039)</u>
Profit and loss account carried forward		<u><u>(6,886,568)</u></u>	<u><u>(1,831,653)</u></u>

All activities derive from continuing operations.

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 (loss)/profit reported above.

*pm*₅

CONSOLIDATED BALANCE SHEET
31 December 1995

	Note	1995 \$	1994 \$
FIXED ASSETS			
Intangible assets	9	53,039,159	62,544,482
Tangible assets	10	835,869	821,219
		<u>53,875,028</u>	<u>63,365,701</u>
CURRENT ASSETS			
Stock	12	140,839	279,035
Debtors	13	20,434,753	15,170,819
Cash at bank and in hand		<u>11,526,400</u>	<u>10,921,444</u>
		32,101,992	26,371,298
CREDITORS: amounts falling due within one year	14	<u>(12,061,260)</u>	<u>(12,207,608)</u>
NET CURRENT ASSETS		<u>20,040,732</u>	<u>14,163,690</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		73,915,760	77,529,391
CREDITORS: amounts falling due after more than one year	15	(45,010,362)	(45,024,886)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(9,291,966)</u>	<u>(7,836,158)</u>
NET ASSETS		<u>19,613,432</u>	<u>24,668,347</u>
CAPITAL AND RESERVES			
Called-up share capital	17	146	146
Share premium account	19	26,499,854	26,499,854
Profit and loss account	19	<u>(6,886,568)</u>	<u>(1,831,653)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>19,613,432</u>	<u>24,668,347</u>

These financial statements were approved by the Board of Directors on 30 September 1996.

Signed on behalf of the Board of Directors

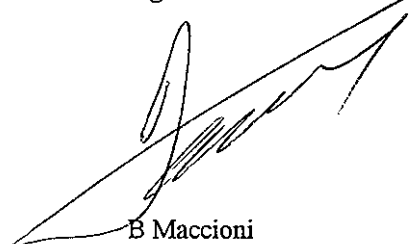
B Maccioni
Director

COMPANY BALANCE SHEET
31 December 1995

	Note	1995 \$	1994 \$
FIXED ASSETS			
Intangible assets	9	45,774,875	54,652,721
Tangible assets	10	818,821	794,921
Investments	11	13,937,790	13,937,790
		<u>60,531,486</u>	<u>69,385,432</u>
CURRENT ASSETS			
Debtors	13	21,692,733	17,609,552
Cash at bank and in hand		<u>11,401,546</u>	<u>10,677,472</u>
		33,094,279	28,287,024
CREDITORS: amounts falling due within one year	14	<u>(21,125,461)</u>	<u>(21,949,964)</u>
NET CURRENT ASSETS		<u>11,968,818</u>	<u>6,337,060</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		72,500,304	75,722,492
CREDITORS: amounts falling due after more than one year	15	(45,010,362)	(45,024,886)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(8,327,165)</u>	<u>(6,066,431)</u>
NET ASSETS		<u>19,162,777</u>	<u>24,631,175</u>
CAPITAL AND RESERVES			
Called-up share capital	17	146	146
Share premium account	19	26,499,854	26,499,854
Profit and loss account	19	<u>(7,337,223)</u>	<u>(1,868,825)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>19,162,777</u>	<u>24,631,175</u>

These financial statements were approved by the Board of Directors on 30 September 1996.

Signed on behalf of the board of Directors



B Maccioni

Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1995

	Note	1995	1994
		\$	\$
Net cash inflow from operating activities	20	11,977,928	14,842,512
Returns on investments and servicing of finance			
Interest received	675,437	285,653	
Interest paid	(3,597,351)	(2,189,111)	
Interest element of finance lease rentals	(2,374)	(3,413)	
		<u> </u>	<u> </u>
Net cash outflow from returns on investments and servicing of finance		(2,924,288)	(1,906,871)
Taxation			
UK corporation tax repaid	70,570	-	
Overseas tax repaid/(paid)	72,199	(1,393,813)	
		<u> </u>	<u> </u>
Tax repaid/(paid)		142,769	(1,393,813)
Investing activities			
Purchase of tangible fixed assets	(1,017,184)	(289,785)	
Proceeds from disposal of fixed assets	4,732	79,262	
Proceeds from disposal of intangible fixed assets	426,098	-	
Purchase of intangible fixed assets	-	(2,070,554)	
Purchase of new projects	(6,251,177)	(10,442,454)	
		<u> </u>	<u> </u>
Net cash outflow from investing activities		(6,837,531)	(12,723,531)
Net cash inflow/(outflow) before financing		2,358,878	(1,181,703)
Financing			
New loans and deferred consideration	21	362,820	5,274,119
Repayment of loans	21	(2,102,093)	(291,975)
Capital element of finance leases	21	(14,649)	(7,331)
		<u> </u>	<u> </u>
Net cash (outflow)/inflow from financing		(1,753,922)	4,974,813
Increase in cash and cash equivalents	22	<u>604,956</u>	<u>3,793,110</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

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.

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 UGC UK Limited and all its subsidiary undertakings up to 31 December 1995. 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:

Film masters	3 years
Plant and machinery	4 years
Fixtures and fittings	4-5 years

Stock

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

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

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 UGC UK Limited as provided by S.230 of the Companies Act 1985. The company's loss for the financial year, determined in accordance with the Act, was \$5,468,398 (1994: profit \$3,407,013).

3. OTHER OPERATING EXPENSES

Other operating expenses comprise selling and administrative expenses.

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

4. INTEREST RECEIVABLE

	1995	1994
	\$	\$
Interest income from bank deposits	<u>675,437</u>	<u>285,653</u>

5. INTEREST PAYABLE

	1995	1994
	\$	\$
On bank and other loans		
- repayable within five years, by instalment	238,456	50,139
- other	<u>3,299,853</u>	<u>2,746,938</u>
	<u>3,538,309</u>	<u>2,797,077</u>

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

(Loss)/profit on ordinary activities before taxation is stated after charging:

	1995	1994
	\$	\$
Depreciation and amounts written off		
Intangible fixed assets	15,330,402	13,396,555
Tangible fixed assets:		
- Owned	971,576	336,938
- Held under finance leases	26,226	13,115
Operating lease rentals	754,166	704,896
Auditors' remuneration:		
- audit fees	67,500	62,370
- other services	124,418	-
Staff costs (see note 7)	<u>2,166,463</u>	<u>2,045,629</u>

7. STAFF COSTS

	1995	1994
	\$	\$
Employee costs during the year amounted to:		
Wages and salaries	1,921,752	1,816,723
Social security costs	187,117	171,246
Other pension costs	<u>57,594</u>	<u>57,660</u>
	<u>2,166,463</u>	<u>2,045,629</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

7. STAFF COSTS (cont)

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

	1995 Number employed	1994 Number employed
Sales	4	4
Administration	39	38
	<u>43</u>	<u>42</u>

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

	1995 \$	1994 \$
Directors' emoluments including pension contributions	519,701	380,918
Compensation for loss of office	136,660	-
	<u>656,361</u>	<u>380,918</u>
Remuneration of the highest paid director (excluding pension contributions)	<u>261,161</u>	<u>221,908</u>

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

	Number	Number
£ 0 - £ 5,000	2	-
£ 40,001 - £ 45,000	1	-
£ 75,001 - £ 80,000	1	-
£ 90,001 - £ 95,000	-	1
£ 115,001 - £ 120,000	1	-
£ 145,001 - £ 150,000	-	1
£ 160,001 - £ 165,000	1	-

Average exchange rate for the year was £1 = \$1.59 (1994 - £1 = \$1.53)

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

	1995 \$	1994 \$
Corporation tax (charge) at 33% (1994 - 33%)	-	(634,000)
Deferred taxation credit/(charge) (note 16)	245,260	(63,000)
Unrelieved overseas taxation (charge)	(626,494)	(209,343)
Adjustment in respect of prior years - credit	291,571	-
	<u>(89,663)</u>	<u>(906,343)</u>

There is no UK tax charge because of the loss for the year.

The company has approximately \$4.2 million of losses available to be carried forward and utilised against future trading profits.

NOTES TO THE ACCOUNTS

Year ended 31 December 1995

9. INTANGIBLE FIXED ASSETS

	1995		1994	
	Group	Company	Group	Company
	\$	\$	\$	\$
Development and production expenditure	7,587,839	7,587,839	12,149,300	12,174,300
Film licensing rights	45,451,320	38,187,036	50,395,182	42,478,421
	<u>53,039,159</u>	<u>45,774,875</u>	<u>62,544,482</u>	<u>54,652,721</u>
 Development and production expenditure				
Cost				
At 1 January	19,239,729	19,264,729	8,797,275	5,456,232
Additions	6,251,177	6,251,177	10,442,454	13,808,497
At 31 December	<u>25,490,906</u>	<u>25,515,906</u>	<u>19,239,729</u>	<u>19,264,729</u>
 Amounts written off				
At 1 January	7,090,429	7,090,429	576,034	576,034
Amounts written off	10,812,638	10,837,638	6,514,395	6,514,395
At 31 December	<u>17,903,067</u>	<u>17,928,067</u>	<u>7,090,429</u>	<u>7,090,429</u>
 Net book value				
At 31 December	<u>7,587,839</u>	<u>7,587,839</u>	<u>12,149,300</u>	<u>12,174,300</u>
At 31 December	<u>12,149,300</u>	<u>12,174,300</u>	<u>8,221,241</u>	<u>4,880,198</u>
	1995		1994	
	\$		\$	
 Included in the Net Book Value are:				
Films in development	-		1,024,039	
Films in production	-		8,143,765	
Completed films	7,587,839		2,981,496	
	<u>7,587,839</u>		<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 1995

9. INTANGIBLE FIXED ASSETS (continued)

Film licensing rights

	1995		1994	
	Group	Company	Group	Company
Cost	\$	\$	\$	\$
At 1 January	65,601,232	54,692,322	63,530,678	52,621,768
(Disposals)/additions	(426,098)	(426,098)	2,079,805	2,079,805
Transfer to current assets	-	-	(9,251)	(9,251)
	<u>65,175,134</u>	<u>54,266,224</u>	<u>65,601,232</u>	<u>54,692,322</u>
At 31 December				
Amounts written off				
At 1 January	15,206,050	12,213,901	8,323,890	6,391,924
Charge	4,517,764	3,865,287	6,882,160	5,821,977
	<u>19,723,814</u>	<u>16,079,188</u>	<u>15,206,050</u>	<u>12,213,901</u>
At 31 December				
Net book value				
At 31 December	<u>45,451,320</u>	<u>38,187,036</u>	<u>50,395,182</u>	<u>42,478,421</u>
At 31 December	<u>50,395,182</u>	<u>42,478,421</u>	<u>55,206,788</u>	<u>46,229,844</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

10. TANGIBLE FIXED ASSETS

	Film Masters \$	Plant and Machinery \$	Fixtures and Fittings \$	Total \$
GROUP				
Cost				
At 1 January 1995	87,661	163,441	1,278,781	1,529,883
Additions	815,824	46,490	154,870	1,017,184
Disposals	-	(5,570)	(694)	(6,264)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	903,485	204,361	1,432,957	2,540,803
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated Depreciation				
At 1 January 1995	26,747	100,088	581,829	708,664
Charge	301,152	51,090	645,560	997,802
Eliminated on disposal	-	(1,393)	(139)	(1,532)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	327,899	149,785	1,227,250	1,704,934
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 1995	575,586	54,576	205,707	835,869
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1994	60,914	63,353	696,952	821,219
	<hr/>	<hr/>	<hr/>	<hr/>
Leased assets included in the above:				
Net book value at 31 December 1995	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 December 1994	-	-	26,226	26,226
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

10. TANGIBLE FIXED ASSETS (cont)

	Film Masters \$	Plant and Machinery \$	Fixtures and Fittings \$	Total \$
COMPANY				
Cost				
At 1 January 1995	87,661	163,441	1,232,529	1,483,631
Additions	815,824	46,490	154,870	1,017,184
Disposals	-	(5,570)	(694)	(6,264)
	<u>903,485</u>	<u>204,361</u>	<u>1,386,705</u>	<u>2,494,551</u>
At 31 December 1995				
Depreciation				
At 1 January 1995	26,747	100,088	561,875	688,710
Charge	301,152	51,090	636,310	988,552
Eliminated on disposal	-	(1,393)	(139)	(1,532)
	<u>327,899</u>	<u>149,785</u>	<u>1,198,046</u>	<u>1,675,730</u>
At 31 December 1995				
Net book value				
At 31 December 1995	<u>575,586</u>	<u>54,576</u>	<u>188,659</u>	<u>818,821</u>
At 31 December 1994	<u>60,914</u>	<u>63,353</u>	<u>670,654</u>	<u>794,921</u>
Leased assets included in the above:				
Net book value				
At 31 December 1995	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
At 31 December 1994	<u>-</u>	<u>-</u>	<u>26,226</u>	<u>26,226</u>

11. FIXED ASSET INVESTMENTS

	1995 Group \$	1995 Company \$	1994 Group \$	1994 Company \$
Subsidiary undertakings, at cost	<u>-</u>	<u>13,937,790</u>	<u>-</u>	<u>13,937,790</u>



NOTES TO THE ACCOUNTS
Year ended 31 December 1995

11. FIXED ASSET INVESTMENTS (cont)

Principal subsidiaries

	Country of incorporation	Principal activity and country of operation	Percentage of ordinary share capital held
UGC Rights Limited (formerly Lumiere (Rights) Limited)	UK	Film distribution (UK)	100%
UGC Video Limited (formerly 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

	1995		1994	
	Group \$	Company \$	Group \$	Company \$
Finished goods and goods for resale	140,839	-	279,035	-

13. DEBTORS

	1995		1994	
	Group \$	Company \$	Group \$	Company \$
Amounts falling due within one year:				
Trade debtors	4,388,967	4,230,673	5,786,915	5,473,972
Amounts owed by subsidiary undertakings	-	2,780,652	-	3,253,920
Amounts owed by other group undertakings	6,262,199	6,262,199	3,853,942	3,853,942
Other debtors	93,775	93,783	885,260	885,260
Prepayments and accrued income	9,689,812	8,325,426	4,644,702	4,142,458
	<u>20,434,753</u>	<u>21,692,733</u>	<u>15,170,819</u>	<u>17,609,552</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1995

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995		1994	
	Group	Company	Group	Company
	\$	\$	\$	\$
Obligations under finance leases (see note 15)	11,629	11,628	11,754	11,754
Trade creditors	433,901	433,802	2,150,784	2,150,784
Amounts owed to subsidiary undertakings	-	9,199,160	-	10,038,840
Amounts owed to other group undertakings	5,006,559	5,006,559	3,525,607	3,525,607
Other creditors including taxation and social security	3,929,066	3,929,066	3,745,119	3,524,119
Accruals and deferred income	2,680,105	2,545,246	2,774,344	2,698,860
	<u>12,061,260</u>	<u>21,125,461</u>	<u>12,207,608</u>	<u>21,949,964</u>

Included in other creditors is a loan facility on which the balance is \$3,921,696 (1994: \$3,524,119) at the year end. The loan is secured on the rights to a specific film.

Included in amounts owed to other group undertakings in 1994 was an amount of \$2,136,850 due on a loan which was secured by way of a fixed charge over the company's rights in specified films purchased during 1993. Interest was charged at the three month London Interbank Offered Rate plus 2%.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group and Company	Group and Company
	1995	1994
	\$	\$
Loan (see below)	45,000,000	45,000,000
Obligations under finance leases (see note below)	10,362	24,886
	<u>45,010,362</u>	<u>45,024,886</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 UGC (Rights) Limited. Interest is charged at the 180 day London Interbank Offered Rate plus 1.5%.

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Obligations under finance leases are repayable as follows:

	Group and Company	Group and Company
	1995	1994
	\$	\$
Due within 1 year	13,275	14,364
Due within 2-5 years	10,865	25,135
	<hr/>	<hr/>
	24,140	39,499
Less: finance charges allocated to future years	(2,149)	(2,859)
	<hr/>	<hr/>
	21,991	36,640
	<hr/>	<hr/>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	1995	1994
	Group	Group
	\$	\$
Deferred taxation	547,496	792,756
Provision for royalties payable	8,744,470	7,043,402
	<hr/>	<hr/>
	9,291,966	7,836,158
	<hr/>	<hr/>
	8,327,165	6,066,431
	<hr/>	<hr/>

Deferred taxation

The movement on deferred taxation comprises:

	Group
	\$
At 1 January 1995	792,756
Credit to profit and loss	(245,260)
	<hr/>
At 31 December 1995	547,496
	<hr/>

There are no significant amounts of unprovided deferred taxation.

Provision for royalties

The movement in the provision for royalties comprises:

	Group	Company
	\$	\$
At 1 January 1995	7,043,402	6,003,431
Royalties paid in the year	(3,692,287)	(3,004,143)
Charged to profit and loss account	5,393,355	5,327,877
	<hr/>	<hr/>
At 31 December 1995	8,744,470	8,327,165
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NOTES TO THE ACCOUNTS
Year ended 31 December 1995

17. CALLED-UP SHARE CAPITAL

	1995	1994
	\$	\$
Authorised		
100 ordinary shares of £1 each	180	180
	<u>180</u>	<u>180</u>
	\$	\$
Allotted, called-up and fully-paid		
87 ordinary shares of £1 each	146	146
	<u>146</u>	<u>146</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995	1994
	Group	Group
	\$	\$
(Loss)/profit for the year	(5,054,915)	3,408,386
Opening shareholders' funds	24,668,347	21,259,961
	<u>24,668,347</u>	<u>21,259,961</u>
Closing shareholders' funds	19,613,432	24,668,347
	<u>19,613,432</u>	<u>24,668,347</u>

19. RESERVES

	1995		1994	
	Group	Company	Group	Company
	\$	\$	\$	\$
Profit and loss account	(6,886,568)	(7,337,223)	(1,831,653)	(1,868,825)
Share premium account	26,499,854	26,499,854	26,499,854	26,499,854
	<u>26,499,854</u>	<u>26,499,854</u>	<u>26,499,854</u>	<u>26,499,854</u>
Total reserves	19,613,286	19,162,631	24,668,201	24,631,029
	<u>19,613,286</u>	<u>19,162,631</u>	<u>24,668,201</u>	<u>24,631,029</u>



NOTES TO THE ACCOUNTS

Year ended 31 December 1995

20. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995 \$	1994 \$
Operating (loss)/profit	(2,102,380)	6,826,153
Depreciation and amortisation charges	16,328,204	13,746,608
Decrease/(increase) in stocks	138,196	(279,035)
Increase in debtors	(5,962,627)	(9,318,575)
Increase in creditors and provisions	3,576,535	3,867,361
	<u>11,977,928</u>	<u>14,842,512</u>
Net cash inflow from operating activities	<u>11,977,928</u>	<u>14,842,512</u>

21. ANALYSIS OF CHANGES IN FINANCING

	Share capital and share premium \$	Loans \$	Finance lease \$
At 1 January 1995	26,500,000	50,660,969	36,640
Net cash outflow from financing	-	(1,739,273)	(14,649)
	<u>26,500,000</u>	<u>48,921,696</u>	<u>21,991</u>
At 31 December 1995	<u>26,500,000</u>	<u>48,921,696</u>	<u>21,991</u>

22. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1995 \$	Cash at bank and in hand 1994 \$
At 1 January	10,921,444	7,128,334
Net cash inflow	604,956	3,793,110
	<u>11,526,400</u>	<u>10,921,444</u>
At 31 December	<u>11,526,400</u>	<u>10,921,444</u>

23. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Capital commitments

At the year end the company had contracted to pay \$nil (1994 - \$3.37 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 1995 was \$52,244 (1994 - \$58,337).

In addition the company leases certain land and buildings on long-term leases. The annual rental on these leases was \$609,861 (1994 - \$624,687). 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 2000.

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

23. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (cont)

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

	Group and Company		Group and Company	
	Property	Property	Motor	Motor
	1995	1994	vehicles	vehicles
	\$	\$	1995	1994
			\$	\$
Operating leases which expire:				
- within one year	-	-	10,584	3,960
- within 2 to 5 years	638,983	278,838	11,797	33,535
- after 5 years	-	388,203	-	-
	<u>638,983</u>	<u>667,041</u>	<u>22,381</u>	<u>37,495</u>

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 \$28,356 (1994 - \$30,549). 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 (1994 -2) and 10 employees (1994 -10). The cost for the year amounted to \$29,238 (1994 - \$27,111).

24. ULTIMATE PARENT COMPANY

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

The ultimate parent company is Canal + 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 UGC D.A.. These consolidated accounts are available at 24 Avenue Charles de Gaulle, 92522 Neuilly Sur Seine, France.