

**DIGITAL PROJECTION INTERNATIONAL  
PLC**

**Consolidated Report and Financial Statements**

**31 December 1998**

Deloitte & Touche  
PO Box 500  
201 Deansgate  
Manchester  
M60 2AT



# DIGITAL PROJECTION INTERNATIONAL PLC

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# DIGITAL PROJECTION INTERNATIONAL PLC

## OFFICERS AND PROFESSIONAL ADVISERS

### DIRECTORS

J M Blackburn  
B R Critchley  
T J Cronin  
D Green  
M N Levi  
D J Quinn  
R Raworth \* (Chairman)  
C J Tennant \*  
\* Non executive

### SECRETARY

Mrs J M Humphreys

### REGISTERED OFFICE

Greenside Way  
Middleton  
Manchester  
M24 1XX

### BANKERS

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

The British Linen Bank Limited  
Ship Canal House  
98 King Street  
Manchester  
M2 4WU

### SOLICITORS

Garrett & Co.  
Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

### AUDITORS

Deloitte & Touche  
Chartered Accountants  
201 Deansgate  
Manchester  
M60 2AT

# DIGITAL PROJECTION INTERNATIONAL PLC

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

## ACTIVITIES

The principal activity of the group is the research, design, manufacture and sale of electronic projectors.

## REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Digital Projection International 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. Digital Projection Incorporated based in Atlanta, Georgia provides full sales and marketing, product service and support to the North American market.

The results for the second year following the management buyout from the Rank Group shows turnover more than double the previous year. The results further reflect the investment and expenses incurred in establishing and developing the company's worldwide operations.

During the year the company expended its product range through the launch of an XGA resolution range of projectors. Digital Projection's products continue to be widely acclaimed with a number of awards being received including two prestigious "Emmy" awards.

The company will continue to expand and develop its products capitalising on its reputation for product innovation and performance.

## DIVIDENDS AND TRANSFERS TO RESERVES

Details of the result for the year can be found on page 7. A dividend of £872,700 (1998 - £582,000) has accrued to the preference shareholders at 31 December 1998 and this has been charged in these accounts. The Directors do not recommend a final dividend on the 'A' ordinary or ordinary shares.

## FIXED ASSETS

Details of movements in fixed assets are set out on page 16.

## SHARE CAPITAL

During the year the company issued 110,000 "A" ordinary shares to investors for a total consideration of £82,500. In addition 2,417,500 "B" preference shares were issued for a consideration of £2,417,500.

## YEAR 2000

Digital Projection's business systems and products are planned to be Year 2000 compliant. To this end, the board reviews the status on compliance at each board meeting.

The following information is provided to indicate the importance Digital Projection place on these potential issues but it is provided without any warranty express or implied as to the effectiveness of our own or our business partners' actions to mitigate Year 2000 issues.

All our business computer systems have been tested and either have been or are in the process of being upgraded to products stated to be Year 2000 compliant. Certain non-compliant hardware is in the process of being replaced.

None of our products embody real time clocks and therefore there is no impact from the date issues.

We are in continuing dialogue with all our suppliers on their status for compliance. All key sub-systems suppliers are at an advanced stage of their compliance programmes.

We have taken all reasonable and prudent steps to ensure our systems and our suppliers systems are compliant and continue to act on new information as it becomes available. The costs involved in this exercise are not considered to be significant.

# DIGITAL PROJECTION INTERNATIONAL PLC

## DIRECTORS' REPORT

### RESEARCH AND DEVELOPMENT

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

### SUPPLIER CREDIT

Through its subsidiaries the company's policy is to follow the CBI Code of Practice regarding the prompt payment of suppliers. In particular, for all trade creditors it is the company's policy to:

- Agree the terms of payment at the start of business with the supplier.
- Ensure suppliers are aware of the terms of trade.
- Pay in accordance with its contractual and other legal obligations.

As the company itself does not trade the number of creditors days is nil.

### DIRECTORS AND THEIR INTERESTS

The current directors of the Company together with their beneficial interest in the share capital of the Company are set out below:

		1998	1997
		Ordinary shares of 3p each	
J M Blackburn		333,900	333,900
B R Critchley		1,780,000	1,780,800
T J Cronin		185,500	111,300
D Green		333,900	333,900
M N Levi		333,900	333,900
R Raworth	(non-executive)	333,900	333,900
C J Tennant	(non-executive)	-	-
D J Quinn		333,900	333,900

Mr R Raworth has, in addition to the above shareholding, a beneficial interest in 18,000 "A" Ordinary Shares and in 436,500 'A' Preference Shares which were held at 31 December 1997 and at the end of the financial year.

Mr C J Tennant has a beneficial interest in 863 "A" Ordinary Shares and in 1,714 'A' Preference shares which were held at 31 December 1997 and at the end of the financial year.

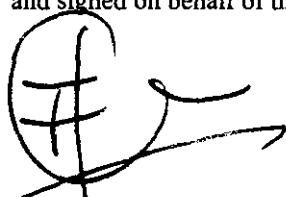
Under the Articles of Association none of the directors are required to retire by rotation.

No director had any interest in a contract to which the Company or a subsidiary undertaking was a party during the accounting period.

### AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



Director

**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 group and company as at the end of the financial year and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and company 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## DIGITAL PROJECTION INTERNATIONAL PLC

### AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 21 which have been prepared under the accounting policies set out on pages 11 and 12.

#### Respective responsibilities of directors and auditors

As described on page 4 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 affairs of the group and company as at 31 December 1998 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

12 August 1999

# DIGITAL PROJECTION INTERNATIONAL PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 1998

	Note	Year ended 31 December 1998 £	58 weeks ended 31 December 1997 £
<b>TURNOVER</b>	2	19,486,258	8,371,615
<b>OPERATING LOSS</b>	2,4	(3,801,275)	(3,468,724)
Interest receivable and similar income		43,584	45,275
Interest payable and similar charges	5	(743,107)	(248,466)
		<u>(699,523)</u>	<u>(203,191)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(4,500,798)	(3,671,915)
Tax on loss on ordinary activities	6	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD</b>		(4,500,798)	(3,671,915)
Preference dividends on non equity shares	7	(872,700)	(582,000)
<b>LOSS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>		(5,373,498)	(4,253,915)
Ordinary dividends on equity shares	7	-	-
<b>TRANSFERRED FROM RESERVES</b>	17	<u>(5,373,498)</u>	<u>(4,253,915)</u>

The above results all relate to continuing operations.

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



# DIGITAL PROJECTION INTERNATIONAL PLC

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 December 1998

	Year ended 31 December 1998 £	58 weeks ended 31 December 1997 £
Loss for the financial year attributable to the members	(4,500,798)	(3,671,915)
Share capital issued	2,500,000	10,137,358
Goodwill written off	-	(5,779,429)
Net (reduction)/increase in shareholders' funds	(2,000,798)	686,014
Shareholders' funds brought forward	686,014	-
Shareholders' funds carried forward	(1,314,784)	686,014

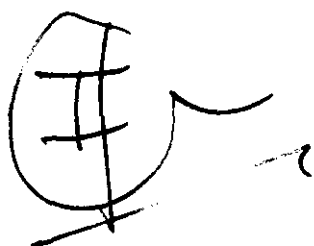
# DIGITAL PROJECTION INTERNATIONAL PLC

## CONSOLIDATED BALANCE SHEET 31 December 1998

	Note	£	1998 £	£	1997 £
<b>FIXED ASSETS</b>					
Tangible assets	9		2,522,947		2,413,174
<b>CURRENT ASSETS</b>					
Stocks	11	5,094,175		3,043,238	
Debtors	12	4,606,705		2,983,128	
Cash at bank and in hand		1,696,412		644,511	
		11,397,292		6,670,877	
<b>CREDITORS: amounts falling due within one year</b>	13	(7,235,023)		(3,398,037)	
<b>NET CURRENT ASSETS</b>			4,162,269		3,272,840
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			6,685,216		5,686,014
<b>CREDITORS: amounts falling due after more than one year</b>					
Loans	14		(8,000,000)		(5,000,000)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15		-		-
			(1,314,784)		686,014
<b>CAPITAL AND RESERVES</b>					
Called up share capital - equity	16		162,300		151,300
- non-equity	16		12,118		9,700
Share premium account	17		12,462,940		9,976,358
Other reserve	17		1,454,700		582,000
Profit and loss account	17		(15,406,842)		(10,033,344)
			(1,314,784)		686,014
Equity shareholders' funds			(14,958,484)		(9,595,986)
Non-equity shareholders' funds			13,643,700		10,282,000
			(1,314,784)		686,014

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



- Director

- Director

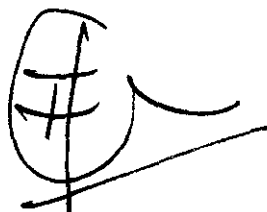
# DIGITAL PROJECTION INTERNATIONAL PLC

## COMPANY BALANCE SHEET 31 December 1998

	Note	£	1998 £	£	1997 £
<b>FIXED ASSETS</b>					
Investments	10		100		100
<b>CURRENT ASSETS</b>					
Debtors	12	9,859,179		13,983,619	
<b>CREDITORS: amounts falling due within one year</b>	13	(2,799,913)		(29,533)	
<b>NET CURRENT ASSETS</b>			<u>7,059,266</u>		<u>13,954,086</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			7,059,366		13,954,186
<b>CREDITORS: amounts falling due after more than one year</b>	14		(8,000,000)		(5,000,000)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15		-		-
			<u>(940,634)</u>		<u>8,954,186</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital - equity	16		162,300		151,300
- non-equity	16		12,118		9,700
Share premium account	17		12,462,940		9,976,358
Other reserve	17		1,454,700		582,000
Profit and loss account	17		(15,032,692)		(1,765,172)
			<u>(940,634)</u>		<u>8,954,186</u>
Equity shareholders' funds			(14,584,334)		(1,327,814)
Non-equity shareholders' funds			<u>13,643,700</u>		<u>10,282,000</u>
			<u>(940,634)</u>		<u>8,954,186</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



- Director

- Director

# DIGITAL PROJECTION INTERNATIONAL PLC

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 1998

	Note	Year ended 31 December 1998		58 weeks ended 31 December 1997	
		£	£	£	£
Net cash outflow from operating activities	19		(5,743,330)		(6,525,501)
<b>Returns on investments and servicing of finance</b>					
Interest received		43,584		45,275	
Interest paid		(514,007)		(248,466)	
Net cash outflow from returns on investments and servicing of finance			(470,423)		(203,191)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(757,219)		(1,533,620)	
Disposal of tangible fixed assets		-		13,190	
Net cash outflow for capital expenditure and financial investment			(757,219)		(1,520,430)
<b>Acquisitions and disposals</b>					
Purchase of business		-		(6,244,367)	
Net cash acquired with subsidiaries		-		299	
Net cash outflow for acquisitions and disposals			-		(6,244,068)
<b>Financing</b>					
Issue of ordinary share capital		82,500		450,000	
Issue of preference share capital		2,417,500		9,700,000	
New medium term bank loans		3,000,000		5,000,000	
Expenses paid in connection with shares issued		-		(12,642)	
Net cash inflow from financing			5,500,000		15,137,358
<b>(Decrease)/increase in cash</b>	20		(1,470,972)		644,168
			<u>1998</u>		<u>1997</u>
			£		£
<b>Reconciliation of net cash flow to movement in net debt</b>					
Decrease in cash			(1,470,972)		644,168
Cash inflow from change in debt			(3,000,000)		(5,000,000)
Change in net debt			(4,470,972)		(4,355,832)
Net debt at 31 December 1997			(4,355,832)		-
Net debt at 31 December 1998			(8,826,804)		(4,355,832)

## NOTES TO THE ACCOUNTS

Year ended 31 December 1998

### 1. ACCOUNTING POLICIES

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

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Consolidation and results

For all subsidiary undertakings the accounts include the results of those companies controlled throughout the period or to the date of disposal or from the date of acquisition as appropriate.

#### Acquisitions

In accordance with FRS6 and 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 the issue of FRS10 goodwill was permitted to be written off directly to reserves. As a matter of accounting policy this is the treatment adopted by the company on its acquisitions prior to 1 January 1998.

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

#### Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

#### Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Net realisable value is based on estimated 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 annual amounts over the lease term.

#### Research and development

Expenditure is charged to the profit and loss account in the year it is incurred.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1998**

**1. ACCOUNTING POLICIES (continued)**

**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.

**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. Trading results are translated at the average exchange rates for the year.

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. Unrealised exchange differences arising on the translation of overseas net assets are taken direct to reserves.

**2. TURNOVER AND OPERATING LOSS**

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

The operating loss is arrived at as follows:

	Year ended 31 December 1998 £	58 weeks ended 31 December 1997 £
Cost of sales	12,562,450	4,787,305
Gross profit	6,923,808	3,584,310
Distribution costs	2,312,731	2,624,180
Administrative expenses	8,412,352	4,428,854

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	Year ended 31 December 1998 £	58 weeks ended 31 December 1997 £
<b>Directors' emoluments</b>		
Salaries	434,174	421,448
Benefits in kind	51,404	34,100
	<u>485,578</u>	<u>455,548</u>

Four of the directors were members of the group's defined benefit scheme. The company contributes to a defined contribution scheme in respect of two of the directors. Total contributions were £10,236.

The remuneration of the highest paid director was £126,048 (1997 - £114,198). The highest paid director was not a member of the defined benefit scheme.

# DIGITAL PROJECTION INTERNATIONAL PLC

## NOTES TO THE ACCOUNTS Year ended 31 December 1998

### 3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	Year ended 31 December 1998 No	58 weeks ended 31 December 1997 No
<b>Average number of persons employed</b>		
Production	33	27
Sales and distribution	31	14
Administration	13	7
	<u>77</u>	<u>48</u>
	£	£
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	2,485,399	1,642,516
Social security costs	232,061	124,190
Pension costs	143,643	115,879
	<u>2,861,103</u>	<u>1,882,585</u>

### 4. OPERATING LOSS

	Year ended 31 December 1998 £	58 weeks ended 31 December 1997 £
Operating loss is after charging:		
Management buyout and financing costs	-	795,000
Depreciation and amortisation		
Owned assets	647,446	468,357
Rentals under operating leases		
Hire of plant and machinery	28,404	8,185
Other operating leases	196,277	52,419
Auditors' remuneration		
- audit	13,000	12,500
- non audit	<u>15,000</u>	<u>7,259</u>

# DIGITAL PROJECTION INTERNATIONAL PLC

## NOTES TO THE ACCOUNTS

Year ended 31 December 1998

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 1998 £	58 weeks ended 31 December 1997 £
Bank loans, overdrafts and other loans repayable within five years	743,107	248,466

### 6. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge in the current year due to losses within the Group.

### 7. DIVIDENDS

	Year ended 31 December 1998 £	58 weeks ended 31 December 1997 £
Dividend on 'A' and 'B' preference shares at 8 pence per share	872,700	582,000

No dividend has been paid or is proposed to be paid to the holders of the 'A' ordinary or ordinary shares.

### 8. PARENT COMPANY'S PROFIT AND LOSS ACCOUNT

The company has taken advantage of the exemption contained in section 230 of the Companies Act 1985 in not disclosing the profit and loss account of the parent company. The parent company's loss for the financial year was £12,394,820 (1997 - £1,183,172).



# DIGITAL PROJECTION INTERNATIONAL PLC

## NOTES TO THE ACCOUNTS

Year ended 31 December 1998

### 9. TANGIBLE FIXED ASSETS

The Group has tangible fixed assets as detailed below:

Group	Short-term leasehold improve- ments £	Plant and machinery £	Develop- ment and test equipment £	Motor vehicles, fixtures, fittings, tools and equipment £	Total £
Cost					
At 1 January 1998	372,553	698,379	1,569,001	238,554	2,878,487
Additions	20,230	320,857	107,604	308,528	757,219
At 31 December 1998	392,783	1,019,236	1,676,605	547,082	3,635,706
Accumulated depreciation					
At 1 January 1998	57,048	79,596	298,284	30,385	465,313
Charge for the year	77,688	145,020	325,119	99,619	647,446
At 31 December 1998	134,736	224,616	623,403	130,004	1,112,759
Net book value					
At 31 December 1998	258,047	794,620	1,053,202	417,078	2,522,947
At 31 December 1997	315,505	618,783	1,270,717	208,169	2,413,174

The company has no tangible fixed assets.

### 10. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiaries £
Cost and net book value	
Additions	100
At 31 December 1998	100

#### Interests in subsidiaries

The investment represents 100% of the issued ordinary share capital of Digital Projection Limited, a company registered in England and Wales. The principal activity of Digital Projection Limited is the design, manufacture and sale of electronic projectors.

The company also owns, through Digital Projection Limited, 100% of the issued ordinary share capital of Digital Projection Inc., a company registered in the United States of America whose principal activity is the sale of electronic projectors.

# DIGITAL PROJECTION INTERNATIONAL PLC

## NOTES TO THE ACCOUNTS

Year ended 31 December 1998

### 11. STOCKS

	Group 1998 £	Group 1997 £
Raw materials and consumables	3,232,431	1,992,455
Finished goods and goods for resale	1,861,744	1,050,783
	<u>5,094,175</u>	<u>3,043,238</u>

There is no stock in the company.

### 12. DEBTORS

	Group 1998 £	1997 £	Company 1998 £	1997 £
Trade debtors	4,085,967	2,371,676	-	-
Amounts owed by subsidiary undertakings	-	-	9,859,179	13,983,544
Other debtors	321,259	520,653	-	75
Prepayments and accrued income	199,479	90,799	-	-
	<u>4,606,705</u>	<u>2,983,128</u>	<u>9,859,179</u>	<u>13,983,619</u>

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1998 £	1997 £	Company 1998 £	1997 £
Bank overdraft	2,523,216	343	2,523,216	343
Trade creditors	3,734,383	2,475,026	-	4,400
Other creditors including taxation and social security	476,860	663,091	21,604	24,790
Accruals and deferred income	500,564	259,577	255,093	-
	<u>7,235,023</u>	<u>3,398,037</u>	<u>2,799,913</u>	<u>29,533</u>

# DIGITAL PROJECTION INTERNATIONAL PLC

## NOTES TO THE ACCOUNTS Year ended 31 December 1998

### 14. LOANS AND OVERDRAFTS

	Group and Company 1998 £	Group and Company 1997 £
Due within one year	2,523,216	343
Due after more than one year	8,000,000	5,000,000
	<u>10,523,216</u>	<u>5,000,343</u>

The above secured obligations are the subject of a fixed and floating charge over the company's assets.

The overdraft and loans are repayable as follows:

Within one year	2,523,216	343
Between one and two years	-	-
Between two and five years	8,000,000	5,000,000
After five years	-	-
	<u>10,523,216</u>	<u>5,000,343</u>

### 15. PROVISIONS FOR LIABILITIES AND CHARGES

#### Deferred taxation

There is no deferred taxation to be provided in the group or company. The amounts of unprovided deferred taxation are as follows:

	Group Not Provided 1998 £	Company Not Provided 1998 £
Capital allowances in advance of depreciation	81,232	-
Other timing differences	(2,292,307)	(343,400)
	<u>(2,211,075)</u>	<u>(343,400)</u>

# DIGITAL PROJECTION INTERNATIONAL PLC

## NOTES TO THE ACCOUNTS

Year ended 31 December 1998

### 16. CALLED UP SHARE CAPITAL

		1998 £	1997 £
Authorised			
8,000,000	ordinary shares of 3 pence each	240,000	240,000
1,000,000	'A' ordinary shares of 10 pence each	100,000	100,000
50,000,000	'A' preference shares of 0.1 pence each	50,000	50,000
2,500,000	'B' preference shares of 0.1 pence each	2,500	-
		<u>392,500</u>	<u>390,000</u>
Called up, allotted and fully paid			
3,710,000	ordinary shares of 3 pence each	111,300	111,300
510,000	'A' ordinary shares of 10 pence each	51,000	40,000
9,700,000	'A' preference shares of 0.1 pence each	9,700	9,700
2,417,500	'B' preference shares of 0.1 pence each	2,418	-
		<u>174,418</u>	<u>161,000</u>

Movements in share capital during the year were:

	'A' ordinary No	'B' preference No
Allotment on funding by directors/investors	110,000	2,417,500
	<u>£</u>	<u>£</u>
The consideration for the shares issued was as follows	82,500	2,417,500

The respective rights of the shares are as follows:

#### 'A' preference shares

- to receive a fixed cumulative preferential net cash dividend of 8 pence per annum on each share.
- on a winding up of the company to receive £1 per share together with a sum equal to any arrears on accruals of the preference dividend.
- provided all 'B' preference shares have been redeemed, 15% of 'A' preference shares will be redeemed at the paid up amount on 31 December 2003 with the balance on 31 December 2004, although earlier redemption is provided for in the Articles.
- to vote only on those matters affecting the rights of the 'A' preference shareholders.

#### 'B' preference shares

- to receive a fixed cumulative preferential net cash dividend of 8 pence per annum on each share.
- on a winding up of the company to receive £1 per share together with a sum equal to any arrears on accruals of the preference dividend.
- to vote only on those matters affecting the rights of the 'B' preference shareholders.
- to be redeemed at the paid up amount on 31 December 2003 although provisions are made in the company's Articles to redeem earlier if permitted.

# DIGITAL PROJECTION INTERNATIONAL PLC

## NOTES TO THE ACCOUNTS

Year ended 31 December 1998

### 16. CALLED UP SHARE CAPITAL (continued)

'A' ordinary shares and ordinary shares

- to receive, after payment of the 'A' preference dividend, a cumulative preferential net cash dividend based on the relationship between 20% of net profit and the preference dividend.
- after distribution to the 'A' preference shareholders, the remaining capital is distributed to the holders of the 'A' and ordinary shares in the proportion that the two classes are entitled to vote at general meetings.
- the shares are not redeemable
- the 'A' ordinary shareholders have one vote per share, the ordinary shareholders having 1/18.55 of the vote per share.

### 17. RESERVES

#### GROUP

	Share premium account £	Other reserve £	Profit and loss account £	Total £
Brought forward at 1 January 1998	9,976,358	582,000	(10,033,344)	525,014
Premium on shares issued in the year	2,486,582	-	-	2,486,582
Retained loss for the year	-	-	(5,373,498)	(5,373,498)
Dividend on non equity shares	-	872,700	-	872,700
	<u>12,462,940</u>	<u>1,454,700</u>	<u>(15,406,842)</u>	<u>(1,489,202)</u>

£

Total reserves can be split as follows:

Available for distribution	(10,205,355)
Not available for distribution	8,716,153
	<u>(1,489,202)</u>

# DIGITAL PROJECTION INTERNATIONAL PLC

## NOTES TO THE ACCOUNTS

Year ended 31 December 1998

### 17. RESERVES (continued)

#### COMPANY

	Share premium account £	Other reserve £	Profit and loss account £	Total £
Brought forward at 1 January 1998	9,976,358	582,000	(1,765,172)	8,793,186
Premium on shares issued in period	2,486,582	-	-	2,486,582
Retained loss for the period	-	-	(13,267,520)	(13,267,520)
Dividends on non equity shares	-	872,700	-	872,700
	<u>12,462,940</u>	<u>1,454,700</u>	<u>(15,032,692)</u>	<u>(1,115,052)</u>

### 18. FINANCIAL COMMITMENTS

	1998 £	1997 £
<b>Capital commitments</b>		
Contracted for but not provided	<u>12,728</u>	<u>13,800</u>
Authorised but not yet contracted for	<u>122,872</u>	<u>316,635</u>
<b>Operating lease commitments</b>		
	<b>Land and buildings £</b>	<b>Other £</b>
Leases which expire:		
Within one year	-	68,631
Within 2 to 5 years	75,817	84,718
After 5 years	-	-
	<u>75,817</u>	<u>153,349</u>

### 19. RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Year ended 31 December 1998 £	58 weeks ended 31 December 1997 £
Operating loss	(3,801,275)	(3,468,724)
Depreciation	647,446	468,357
Increase in stock	(2,050,937)	(3,043,238)
Increase in debtors	(1,623,577)	(2,869,478)
Increase in creditors	<u>1,085,013</u>	<u>2,387,582</u>
Net cash outflow from continuing operating activities	<u>(5,743,330)</u>	<u>(6,525,501)</u>

# DIGITAL PROJECTION INTERNATIONAL PLC

## NOTES TO THE ACCOUNTS

Year ended 31 December 1998

### 20. ANALYSIS OF NET DEBT

	1998 £	1997 £
Cash at bank and in hand	1,696,412	644,511
Bank overdrafts	(2,523,216)	(343)
	<u>(826,804)</u>	<u>644,168</u>
Loans	(8,000,000)	(5,000,000)
	<u>(8,826,804)</u>	<u>(4,355,832)</u>

### 21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption contained in FRS8 "Related Party Disclosure", in not disclosing transactions with its wholly owned subsidiaries.

There were no other related party transactions.

### 22. PENSIONS

The Group operates a funded defined benefit scheme. The assets of the scheme are held in a separate trustee administered fund.

The scheme is subject to a triennial valuation by independent actuaries, the last valuation having been performed at 5 April 1999 using the projected unit method. The following actuarial assumptions were applied:

Investment returns	5.71%
Salary growth	5.34%
Pension increases	2.84%

At 5 April 1999 the market value of the assets of UK scheme was £957,018 and was sufficient to cover 87% of the benefits which had accrued to members. The employers contributions rate over the average remaining service lives of the members takes account of the deficit.

The total pension cost in the year was £143,643.