

**DIGITAL PROJECTION INTERNATIONAL
PLC (formerly YPCS 49 plc)**

Consolidated Report and Financial Statements

58 weeks ended 31 December 1997

Deloitte & Touche
PO Box 500
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Manchester
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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

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 (formerly YPCS 49 plc)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 58 week period ended 31 December 1997.

CHANGE OF NAME

The company was incorporated on 19 November 1996 as YPCS 49 plc. Its name was changed by special resolution on 7 February 1997 to Digital Projection International plc.

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 was formed to effect the management buyout of the Digital Projection business from the Rank Group on 19 December 1996. Total funding of £18.15M, to cover acquisition costs, development and working capital, was provided to the company by the management, 3i and Phildrew Ventures.

Projection products had been under development within the Rank Group since 1989 and the first product shipments by the company only took place in the second quarter of 1997, with quantities increasing during the year.

Digital Projection's products have been acclaimed in the market place and are now in use throughout the world. Over 80% of the company's products are exported. Examples of projector applications are film premieres, use by NBC and ABC in the USA broadcast markets, installations at the Getty museum in Los Angeles and at the Rio casino in Las Vegas. The projectors are also used extensively in the staging and rental market for rock concerts, conferences and product launches such as at the Frankfurt Motor Show.

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

In 1997 the company opened the USA headquarters of its subsidiary, Digital Projection Incorporated, in Atlanta, Georgia, which provides full sales and marketing, product service and support to North America. A similar service outside North America is based in Middleton. Japanese distribution is managed by Marubun Corporation, Japan.

The results for the first year reflect the major investment and expenses involved in successfully establishing the company's world wide operations and in developing the initial product range.

The company will significantly expand that range in 1998 and expects to maintain and develop its reputation for innovative leading products in its chosen sector.

DIVIDENDS AND TRANSFERS TO RESERVES

Details of the result for the period can be found on page 7. A dividend of £582,000 has accrued to the preference shareholders at 31 December 1997 and this has been charged in these accounts. The Directors consider it prudent not to pay a final dividend and therefore 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.

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:

		At 31 December 1997 and date of appointment	
J M Blackburn *		333,900	333,900
B R Critchley *		1,780,800	1,780,800
T J Cronin	(appointed 23.3.97)	111,300	(a) 111,300
D Green *		333,900	333,900
M N Levi	(appointed 13.1.97)	333,900	(b) 333,900
R Raworth *	(non-executive)	333,900	333,900
C J Tennant *	(non-executive)	-	-
D J Quinn *		333,900	333,900

* appointed 19 December 1996

(a) acquired 28.4.97

(b) acquired 20.3.97

The board announce with regret the death of Mr P W Blaxtan who served as a non-executive director from 19 December 1996, until his death on 28 November 1997.

York Place Company Nominees Limited was appointed a director on 19 November 1996 and resigned as director on 19 December 1996. Mr P M E Halliwell and Mr C R Garston were appointed directors on 18 December 1996 and resigned as directors on 19 December 1996.

Mr R Raworth has, in addition to the above shareholding, a beneficial interest in 18,000 "A" Ordinary Shares which were held at 19 December 1996 and at the end of the financial period. He acquired 436,500 Preference Shares on 1 April 1997 which were held at 31 December 1997.

Mr C J Tennant has a beneficial interest in 863 "A" Ordinary Shares which were held at 19 December 1996 and at the end of the financial period. He acquired a beneficial interest in 1,714 Preference Shares on 1 April 1997 which were held at 31 December 1997.

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

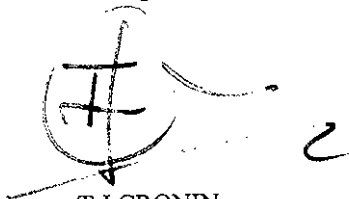
No director had any interest in a contract to which the Company or a subsidiary undertaking was a party during the accounting period.

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche were appointed as first auditors of the company during the period and a resolution for their reappointment 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

A handwritten signature in dark ink, appearing to be 'T J Cronin', is written over a circular stamp. The stamp contains a stylized logo consisting of a circle with a vertical line through it and a horizontal line across the middle, forming a cross-like shape within the circle.

T J CRONIN

Director

16 June 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group and company as at the end of the financial period 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 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 (formerly YPCS 49 plc)

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 7 to 23 which have been prepared under the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 5 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 1997 and of the loss of the group for the 58 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

16 June 1998

DIGITAL PROJECTION INTERNATIONAL PLC (formerly YPCS 49 plc)

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Period ended 31 December 1997

	Note	1997 £
TURNOVER	2	8,371,615
OPERATING LOSS	2,4	(3,468,724)
Interest receivable and similar income		45,275
Interest payable and similar charges	5	(248,466)
		(203,191)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,671,915)
Tax on loss on ordinary activities	6	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD		(3,671,915)
Preference dividends on non equity shares	7	(582,000)
LOSS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		(4,253,915)
Ordinary dividends on equity shares	7	-
TRANSFERRED FROM RESERVES		(4,253,915)

The above results all relate to continuing operations.

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

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Period ended 31 December 1997

	1997 £
Loss for the financial period attributable to the members	(3,671,915)
Share capital issued	10,137,358
Goodwill written off	<u>(5,779,429)</u>
Net reduction in and closing shareholders' funds	<u>686,014</u>

DIGITAL PROJECTION INTERNATIONAL PLC (formerly YPCS 49 plc)

CONSOLIDATED BALANCE SHEET 31 December 1997

	Note	£	1997 £
FIXED ASSETS			
Tangible assets	9		2,413,174
CURRENT ASSETS			
Stocks	11	3,043,238	
Debtors	12	2,983,128	
Cash at bank and in hand		644,511	
		<u>6,670,877</u>	
CREDITORS: amounts falling due within one year	13	(3,398,037)	
NET CURRENT ASSETS			<u>3,272,840</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,686,014
CREDITORS: amounts falling due after more than one year			
Loans	14		(5,000,000)
PROVISIONS FOR LIABILITIES AND CHARGES	16		-
			<u>686,014</u>
CAPITAL AND RESERVES			
Called up share capital - equity	18		151,300
- non-equity	18		9,700
Share premium account	19		9,976,358
Other reserve	19		582,000
Profit and loss account	19		(10,033,344)
			<u>686,014</u>
Equity shareholders' funds			(9,595,986)
Non-equity shareholders' funds			<u>10,282,000</u>
			<u>686,014</u>

These financial statements were approved by the Board of Directors on 16 June 1998

Signed on behalf of the Board of Directors




- Director

- Director

DIGITAL PROJECTION INTERNATIONAL PLC (formerly YPCS 49 plc)

COMPANY BALANCE SHEET
31 December 1997

	Note	£	1997 £
FIXED ASSETS			
Investments	10		100
CURRENT ASSETS			
Debtors	12	13,983,619	
CREDITORS: amounts falling due within one year	13	<u>29,533</u>	
NET CURRENT ASSETS			<u>13,954,086</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			13,954,186
CREDITORS: amounts falling due after more than one year	14		5,000,000
PROVISIONS FOR LIABILITIES AND CHARGES	16		<u>-</u>
			<u>8,954,186</u>
CAPITAL AND RESERVES			
Called up share capital - equity	18		151,300
- non-equity	18		9,700
Share premium account	19		9,976,358
Other reserve	19		582,000
Profit and loss account	19		<u>(1,765,172)</u>
			<u>8,954,186</u>
Equity shareholders' funds			(1,327,814)
Non-equity shareholders' funds			<u>10,282,000</u>
			<u>8,954,186</u>

These financial statements were approved by the Board of Directors on 16 June 1998

Signed on behalf of the Board of Directors

B. R. Cuthbert

- Director

[Signature]

- Director

CONSOLIDATED CASH FLOW STATEMENT
Period ended 31 December 1997

	Note	1997
		£
Net cash outflow from operating activities	21	(6,525,501)
Returns on investments and servicing of finance		
Interest received		45,275
Interest paid		<u>(248,466)</u>
Net cash outflow from returns on investments and servicing of finance		(203,191)
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(1,533,620)
Disposal of tangible fixed assets		<u>13,190</u>
Net cash outflow for capital expenditure and financial investment		(1,520,430)
Acquisitions and disposals		
Purchase of business	23	(6,244,367)
Net cash acquired with subsidiaries		<u>299</u>
Net cash outflow for acquisitions and disposals		(6,244,068)
Financing		
Issue of ordinary share capital		450,000
Issue of preference share capital		9,700,000
Expenses paid in connection with issue of shares		-
New medium term bank loans		5,000,000
Expenses paid in connection with shares issued		<u>(12,642)</u>
Net cash inflow from financing		<u>15,137,358</u>
Increase in cash	22	<u><u>644,168</u></u>
		£
Reconciliation of net cash flow to movement in net debt		
Increase in cash		644,168
Cash inflow from change in debt		<u>(5,000,000)</u>
Net debt at 31 December 1997		<u><u>4,355,832</u></u>

NOTES TO THE ACCOUNTS
Period ended 31 December 1997

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. This is 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 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
Period ended 31 December 1997

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:

	£
Cost of sales	4,787,305
Gross profit	<u>3,584,310</u>
Distribution costs	2,624,180
Administrative expenses	4,418,854

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997 £
Directors' emoluments	
Salaries	421,448
Benefits in kind	<u>34,100</u>
	<u><u>455,548</u></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 one of the directors. Total contributions were £5,775.

The remuneration of the highest paid director was £114,198. The highest paid director was not a member of the defined benefit scheme.

DIGITAL PROJECTION INTERNATIONAL PLC (formerly YPCS 49 plc)

NOTES TO THE ACCOUNTS Period ended 31 December 1997

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1997 No
Average number of persons employed	
Production	27
Sales and distribution	14
Administration	7
	<u>48</u>
	£
Staff costs during the year (including directors)	
Wages and salaries	1,642,516
Social security costs	124,190
Pension costs	115,879
	<u>1,882,585</u>

4. OPERATING LOSS

	1997 £
Operating loss is after charging:	
Management buyout and financing costs	795,000
Depreciation and amortisation	
Owned assets	468,357
Rentals under operating leases	
Hire of plant and machinery	8,185
Other operating leases	52,419
Auditors' remuneration	12,500
- audit	
- non audit	<u>7,259</u>

DIGITAL PROJECTION INTERNATIONAL PLC (formerly YPCS 49 plc)

NOTES TO THE ACCOUNTS Period ended 31 December 1997

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £
Bank loans, overdrafts and other loans repayable within five years	<u>248,466</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

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

7. DIVIDENDS

	£
Dividend on 'A' preference shares at 8 pence per share	<u>582,000</u>

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 period was £1,183,172.

NOTES TO THE ACCOUNTS
Period ended 31 December 1997

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					
On acquisition of subsidiary undertaking	2,998	-	1,232,882	125,221	1,361,101
Additions	369,555	698,379	336,119	129,567	1,533,620
Disposals	-	-	-	(16,234)	(16,234)
At 31 December 1997	<u>372,553</u>	<u>698,379</u>	<u>1,569,001</u>	<u>238,554</u>	<u>2,878,487</u>
Accumulated depreciation					
Charge for the period	57,048	79,596	298,284	33,429	468,357
Disposals	-	-	-	(3,044)	(3,044)
At 31 December 1997	<u>57,048</u>	<u>79,596</u>	<u>298,284</u>	<u>30,385</u>	<u>465,313</u>
Net book value					
At 31 December 1997	<u>315,505</u>	<u>618,783</u>	<u>1,270,717</u>	<u>208,169</u>	<u>2,413,174</u>

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 1997	<u>100</u>

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.

NOTES TO THE ACCOUNTS
Period ended 31 December 1997

11. STOCKS

	Group 1997 £
Raw materials and consumables	1,992,455
Finished goods and goods for resale	1,050,783
	<u>3,043,238</u>

There is no stock in the company.

12. DEBTORS

	Group 1997 £	Company 1997 £
Trade debtors	2,371,676	-
Amounts owed by subsidiary undertakings	-	13,983,544
Other debtors	520,653	75
Prepayments and accrued income	90,799	-
	<u>2,983,128</u>	<u>13,983,619</u>

DIGITAL PROJECTION INTERNATIONAL PLC (formerly YPCS 49 plc)

NOTES TO THE ACCOUNTS Period ended 31 December 1997

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1997 £	Company 1997 £
Bank overdraft	343	343
Trade creditors	2,475,026	4,400
Other creditors including taxation and social security	663,091	24,790
Accruals and deferred income	259,577	-
	<u>3,398,037</u>	<u>29,533</u>

14. LOANS AND OVERDRAFTS

	Group 1997 £	Company 1997 £
Due within one year	343	343
Due after more than one year	5,000,000	5,000,000
	<u>5,000,343</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 loans are repayable as follows:

Within one year	343	343
Between one and two years	-	-
Between two and five years	5,000,000	5,000,000
After five years	-	-
	<u>5,000,343</u>	<u>5,000,343</u>

15. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	Group 1997 £	Company 1997 £
This heading includes:		
Taxation and social security	<u>77,297</u>	<u>24,790</u>

DIGITAL PROJECTION INTERNATIONAL PLC (formerly YPCS 49 plc)

NOTES TO THE ACCOUNTS Period ended 31 December 1997

16. 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 1997 £	Company Not Provided 1997 £
Capital allowances in advance of depreciation	47,082	-
Other timing differences	(893,883)	(94,583)
	<u>(846,801)</u>	<u>(94,583)</u>

17. GOODWILL

On 19 December 1996 the company acquired the whole of the assets and business of Digital Projection Limited and Digital Projection Inc. The acquisition has been accounted for using the acquisition method of accounting.

The fair values attributed to the assets acquired were:

	Book value £	Fair value adjustments £	Fair value £
Tangible fixed assets	1,500,795	(139,694)	1,361,101
Cash	299	-	299
Debtors	113,650	-	113,650
Creditors	(1,010,112)	-	(1,010,112)
	<u>604,632</u>	<u>(139,694)</u>	464,938
Fair value of consideration - cash			6,162,740
- costs of acquisition			81,627
Goodwill arising on acquisition set off against the profit and loss reserve			<u>5,779,429</u>

The fair value adjustment to fixed assets represents a reduction from tax written down value to net book value.

DIGITAL PROJECTION INTERNATIONAL PLC (formerly YPCS 49 plc)

NOTES TO THE ACCOUNTS Period ended 31 December 1997

18. CALLED UP SHARE CAPITAL

		1997 £
Authorised		
8,000,000	ordinary shares of 3 pence each	240,000
1,000,000	'A' ordinary shares of 10 pence each	100,000
50,000,000	'A' preference shares of 0.1 pence each	50,000
		<u>390,000</u>
Called up, allotted and fully paid		
3,710,000	ordinary shares of 3 pence each	111,300
400,000	'A' ordinary shares of 10 pence each	40,000
9,700,000	'A' preference shares of 0.1 pence each	9,700
		<u>161,000</u>

Movements in share capital during the period were:

	Ordinary No	'A' ordinary No	'A' preference No
Allotment on funding by directors/investors	<u>3,710,000</u>	<u>400,000</u>	<u>9,700,000</u>
	£	£	£
The consideration for the shares issued was as follows	<u>150,000</u>	<u>300,000</u>	<u>9,700,000</u>

The respective rights of the shares are as follows:

'A' preference shares

- to receive a fixed cumulative preferential net cash dividend (the 'preference 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 be redeemed at the paid up amount in three equal instalments commencing 31 December 2001.
- to vote only on those matters affecting the rights of the 'A' preference shareholders.

NOTES TO THE ACCOUNTS
Period ended 31 December 1997

18. 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.

19. RESERVES

GROUP	Share premium account £	Other reserve £	Profit and loss account £	Total £
Premium on shares issued in the period	9,989,000	-	-	9,989,000
Expenses re share issue	(12,642)	-	-	(12,642)
Goodwill set off	-	-	(5,779,429)	(5,779,429)
Retained loss for the period	-	-	(4,253,915)	(4,253,915)
Dividend on non equity shares	-	582,000	-	582,000
	<u>9,976,358</u>	<u>582,000</u>	<u>(10,033,344)</u>	<u>525,014</u>
Total reserves can be split as follows:				£
Available for distribution				(4,542,886)
Not available for distribution				5,067,900
				<u>525,014</u>

NOTES TO THE ACCOUNTS
Period ended 31 December 1997

19. RESERVES (continued)

COMPANY

	Share premium account £	Other reserve £	Profit and loss account £	Total £
Premium on shares issued in period	9,989,000	-	-	9,989,000
Expenses re share issue	(12,642)	-	-	(12,642)
Retained loss for the period	-	-	(1,765,172)	(1,765,172)
Dividends on non equity shares	-	582,000	-	582,000
	<u>9,976,358</u>	<u>582,000</u>	<u>(1,765,172)</u>	<u>8,793,186</u>

20. FINANCIAL COMMITMENTS

		1997 £
Capital commitments		
Contracted for but not provided		13,800
		<u><u>316,635</u></u>
Authorised but not yet contracted for		
Operating lease commitments		
	Land and buildings £	Other £
Leases which expire:		
Within one year	-	-
Within 2 to 5 years	72,600	121,812
After 5 years	-	-
	<u>72,600</u>	<u>121,812</u>

21. RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	1997
	£
Operating loss	(3,468,724)
Depreciation	468,357
Increase in stock	(3,043,238)
Increase in debtors	(2,869,478)
Increase in creditors	<u>2,387,582</u>
Net cash outflow from continuing operating activities	<u>(6,525,501)</u>

DIGITAL PROJECTION INTERNATIONAL PLC (formerly YPCS 49 plc)

NOTES TO THE ACCOUNTS Period ended 31 December 1997

22. ANALYSIS OF NET DEBT

	At 31 December 1997 £
Cash at bank and in hand	644,511
Bank overdrafts	(343)
	<hr/> 644,168
Loans	(5,000,000)
	<hr/> (4,355,832) <hr/>

23. PURCHASE OF SUBSIDIARY UNDERTAKING

	£
Tangible fixed assets	1,361,101
Debtors	113,650
Cash at bank and in hand	299
Creditors	(1,010,112)
	<hr/> 464,938
Goodwill	5,779,429
	<hr/> 6,244,367
Total	<hr/> <hr/> 6,244,367
Satisfied by cash	<hr/> <hr/> 6,244,367

24. 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.