

Company Registration No. 2769294

MERLIN BUSINESS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

2285-1996

Registered Office
3 New Burlington Street
London
W1X 1FE



MERLIN BUSINESS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1996

The directors present their report and financial statements for the year ended 31 December 1996.

Principal Activities and Review of the Business

The principal activity of the company continued to be that of dealing in film rights.

Results and Dividends

The results for the year are set out on page 4.

It is proposed that the retained profit of £ 66,786 is transferred to reserves.

Directors

The following directors have held office during the year

P M Stokes

V J Stokes

The Directors had no interest in the issued share capital of the company.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Edwards & Co. be reappointed as auditors of the company will be put to the Annual General Meeting.

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 of the profit or loss of the company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

By order of the Board


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Date 30/1/98

MERLIN BUSINESS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF MERLIN BUSINESS LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 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 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 because we were unable to obtain independent confirmation of the bank accounts and related information and have relied solely on bank statements provided to us to confirm bank balances held by the company. There were no other satisfactory audit procedures that we could adopt to confirm that all bank transactions were properly recorded.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

MERLIN BUSINESS LIMITED

**AUDITORS' REPORT
TO THE SHAREHOLDERS OF MERLIN BUSINESS LIMITED**

Qualified opinion arising from limitation in audit scope

Except for any adjustments or additional disclosures that may have been found to be necessary had we obtained independent confirmation of the bank balances, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its profit 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 audit work relating to the above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

In all other respects, we have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

Edwards & Co.
Edwards & Co.

**Chartered Accountants
Registered Auditor**

30/1/98
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**Clinch's House
Lord Street
Douglas
Isle of Man IM99 1RZ**

MERLIN BUSINESS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996**

	Notes	1996 £	1995 £
Administrative expenses		(26,851)	(9,368)
Operating loss	2	(26,851)	(9,368)
Investment income	3	37,983	-
Other interest receivable and similar income	3	14,147	676
Amounts written off investments	4	45,586	-
Interest payable and similar charges	5	(27)	(9,466)
Profit/(loss) on ordinary activities before taxation		70,838	(18,158)
Tax on profit/(loss) on ordinary activities	6	(4,052)	-
Profit/(loss) on ordinary activities after taxation	14	66,786	(18,158)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

MERLIN BUSINESS LIMITED

**BALANCE SHEET
AS AT 31 DECEMBER 1996**

	Notes	1996 £	£	1995 £	£
Fixed Assets					
Intangible assets	7	-		2,533	
Investments	8	68,656		25,000	
			68,656		27,533
Current Assets					
Debtors	9	12,916		450	
Investments	10	465,834		-	
Cash at bank and in hand		31,982		30,858	
		510,732		31,308	
Creditors: amounts falling due within one year					
	11	(8,973)		(3,860)	
Net Current Assets					
			501,759		27,448
Total Assets Less Current Liabilities					
			570,415		54,981
Creditors: amounts falling due after more than one year					
	12	(584,739)		(136,091)	
		(14,324)		(81,110)	
Capital and Reserves					
Called up share capital	13	1,000		1,000	
Profit and loss account	14	(15,324)		(82,110)	
Shareholders' Funds - equity interests	15	(14,324)		(81,110)	

The financial statements were approved by the Board on 30/1/98



Director

MERLIN BUSINESS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

1 Accounting Policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Licences

Licences are stated at cost and amortised over a period of five years.

1.4 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Current asset investments are stated at the lower of cost and net realisable value.

1.5 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.6 Cash Flow

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a small company.

2	Operating Loss	1996 £	1995 £
	Operating loss is stated after charging:		
	Amortisation of intangible assets	2,533	921
	Auditors' remuneration	550	525
		<u>2,533</u>	<u>921</u>
3	Income from Investments, Other Interest Receivable and Similar Income	1996 £	1995 £
	Profit on disposal of listed investments	8,751	-
	Profit on Exchange	13,661	-
	Bank interest	486	676
	Other interest	29,232	-
		<u>52,130</u>	<u>676</u>
4	Amounts Written off Investments	1996 £	1995 £
	Amounts written off current asset investments	731	-
	Amounts written off investments in prior years written back:		
	- fixed assets	(46,317)	-
		<u>(46,317)</u>	<u>-</u>

MERLIN BUSINESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996**

5	Interest Payable and Similar Charges	1996	1995
		£	£
	On bank loans and overdrafts	27	-
	Loss on exchange	-	9,466
		<u>27</u>	<u>9,466</u>
6	Taxation	1996	1995
		£	£
	U.K. Current year taxation		
	U.K. Corporation tax at 24.25% (1995 - 0%)	4,052	-
		<u>4,052</u>	<u>-</u>
7	Intangible Fixed Assets		
			Licences
			£
	Cost		
	At 1 January 1996 & at 31 December 1996		4,605
			<u>4,605</u>
	Amortisation		
	At 1 January 1996		2,072
	Charge for year		2,533
			<u>4,605</u>
	At 31 December 1996		4,605
			<u>4,605</u>
	Net book value		
	At 31 December 1996		-
			<u>-</u>
	At 31 December 1995		2,533
			<u>2,533</u>

The licence has been written off in full during the year.

MERLIN BUSINESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996**

8 Fixed Asset Investments

	Unlisted investments £
Cost	
At 1 January 1996	25,000
Additions	43,656
	<hr/>
At 31 December 1996	68,656
	<hr/>
At 31 December 1995	25,000
	<hr/>

9 Debtors	1996	1995
	£	£
Other debtors	11,901	450
Prepayments and accrued income	1,015	-
	<hr/>	<hr/>
	12,916	450
	<hr/>	<hr/>

10 Current Asset Investments	1996	1995
	£	£
Listed investments	465,834	-
	<hr/>	<hr/>

11 Creditors: amounts falling due within one year	1996	1995
	£	£
Corporation tax	4,052	-
Accruals and deferred income	4,921	3,860
	<hr/>	<hr/>
	8,973	3,860
	<hr/>	<hr/>

MERLIN BUSINESS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996**

12 Creditors: amounts falling due after more than one year	1996	1995
	£	£
Shareholders loan	584,739	136,091
	<u>584,739</u>	<u>136,091</u>
Analysis of Loans		
Wholly repayable within five years	584,739	136,091
	<u>584,739</u>	<u>136,091</u>

The shareholders loan is interest free, unsecured and has no fixed repayment date.

13 Share Capital

The authorised share capital of the Company comprises 10000 ordinary £1 shares of which 1000 have been issued and are fully paid up (1995 - 1000)

14 Statement of Movements on Profit and Loss Account

	Profit and loss account
	£
Balance at 1 January 1996	(82,110)
Retained profit for the year	66,786
	<u>(15,324)</u>
Balance at 31 December 1996	<u>(15,324)</u>

15 Reconciliation of Movements in Shareholders' Funds	1996	1995
	£	£
Profit/(Loss) for the financial year	66,786	(18,158)
Opening shareholders' funds	(81,110)	(62,952)
	<u>(14,324)</u>	<u>(81,110)</u>
Closing shareholders' funds	<u>(14,324)</u>	<u>(81,110)</u>

16 Contingent liabilities

There were no contingent liabilities as at the balance sheet date.

17 Capital Commitments

There were no major capital commitments as at the balance sheet date.

MERLIN BUSINESS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996**

18 Employees

Number of employees

There were no employees during the year apart from the directors

19 Ultimate Controlling Party

The directors are not aware of the identity of the ultimate controlling party.