

financial statements abbreviated

FilmLight Limited

For the period ended 31 March 2003

Company registration number: 03917536



MacIntyre Hudson

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FilmLight Limited

Independent Auditors' Report to the Company

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts which comprise the Balance Sheet, Accounting Policies and the related notes, together with the financial statements of the company for the period from 1 March 2002 to 31 March 2003 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246 (5) and (6) of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts under those sections to the Registrar of Companies and whether the abbreviated accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

Basis of audit opinion

We have carried out the procedures we consider necessary to confirm, by reference to the audited financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared from those financial statements. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled under sections 247 and 247A of the Companies Act 1985 to deliver abbreviated accounts prepared in accordance with sections 246(5) and (6) of the Act in respect of the period ended 31 March 2003, and the abbreviated accounts which comprise the Balance Sheet, Accounting Policies and the related notes are properly prepared in accordance with those provisions.

31 Castle Street
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MacIntyre Hudson

MACINTYRE HUDSON
Chartered Accountants
& Registered Auditors

2 October 2003

FilmLight Limited

Balance Sheet

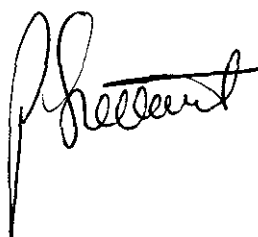
31 March 2003

	Note	31 Mar 03 £	28 Feb 02 £
Fixed assets	1		
Intangible assets		245,526	-
Tangible assets		82,768	-
		<u>328,294</u>	<u>-</u>
Current assets			
Stocks		4,751	-
Debtors		929,652	1
Cash at bank and in hand		42,536	-
		<u>976,939</u>	<u>1</u>
Creditors: amounts falling due within one year		<u>758,966</u>	<u>-</u>
Net current assets		217,973	1
Total assets less current liabilities		546,267	1
Provisions for liabilities and charges		4,185	-
		<u>£542,082</u>	<u>£1</u>
Capital and reserves			
Called-up equity share capital	2	298,383	1
Share premium account		136,617	-
Revaluation reserve		52,000	-
Profit and loss account		55,082	-
Shareholders' funds		<u>£542,082</u>	<u>£1</u>

These accounts have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors on the 4 September 2003 and are signed on their behalf by:

Mr P Stothart



The accounting policies and notes on pages 3 to 5 form part of these financial statements.

FilmLight Limited

Accounting Policies

Period from 1 March 2002 to 31 March 2003

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with the provisions for small companies under part VII Companies Act 1985.

Turnover

Service contract income is recognised as invoiced.

Hardware sales income equivalent to cost of sales is recognised when the ordered goods are substantially complete and ready for shipment. The margin is recognised after shipment and on acceptance.

Government grants are recognised in the profit and loss account so as to match them with the expenditure towards which they are intended to contribute.

Grants received which relate to capitalised research and development costs are netted off against that expenditure.

Grants received in relation to capital expenditure are deferred and recognised over the period of the useful economic life of the assets.

Deferred income represents amounts invoiced for hardware not yet ready

Research and development

Development expenditure incurred on clearly defined projects, with separately identifiable expenditure and whose outcome can be assessed with reasonable certainty as to technical feasibility and ultimate commercial viability, is carried forward. Amortisation is charged from commencement of commercial production over the lesser of the life of the project or three years. Commercial production had not started by 31 March 2003.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Knowhow	-	over 20 years
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Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Plant and machinery	-	over 5 years
Furniture and fittings	-	over 4 years
Equipment	-	over 4 years

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

FilmLight Limited

Accounting Policies *(continued)*

Period from 1 March 2002 to 31 March 2003

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

FilmLight Limited

Notes to the Financial Statements

Period from 1 March 2002 to 31 March 2003

1. Fixed assets

	Intangible assets £	Tangible assets £	Total £
Cost or valuation			
Additions	255,026	101,164	356,190
Disposals	—	(1,360)	(1,360)
At 31 March 2003	<u>255,026</u>	<u>99,804</u>	<u>354,830</u>
Depreciation			
Charge for period	9,500	17,036	26,536
At 31 March 2003	<u>9,500</u>	<u>17,036</u>	<u>26,536</u>
Net book value			
At 31 March 2003	<u>£245,526</u>	<u>£82,768</u>	<u>£328,294</u>

2. Share capital

Authorised share capital:

	31 Mar 03 £	28 Feb 02 £
1,000,000 Ordinary shares of £0.50 each	<u>500,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	31 Mar 03		28 Feb 02	
	No	£	No	£
Ordinary shares of £0.50 each (2002 £1.00)	<u>596,766</u>	<u>298,383</u>	<u>1</u>	<u>1</u>

On the 8 July 2002 the company subdivided the authorised share capital from 1,000 ordinary shares of £1 each to 2,000 ordinary shares of £0.50 each.

The company also increased the authorised share capital from £1,000 to £500,000 by the creation of 998,000 new shares of £0.50 each to rank pari passu in all respects with the existing shares in the capital of the company.

The company issued 596,764 ordinary shares of £0.50 each bringing the issued share capital to 596,766 Ordinary shares of £0.50 each (£298,383).

The company received £435,000 in total for the issued shares, which had a nominal value of £298,383, giving rise to a share premium reserve of £136,617.

3. Post balance sheet events

On the 23 July 2003 the company arranged a facility with HSBC Bank plc. The maximum amount which can be drawn is €278,000 (approximately £175,000). HSBC Bank plc may withdraw this facility and demand repayment at any time. This facility is personally guaranteed by two directors Mr Chapman and Mr Lempp and is secured on their personal freehold property.

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