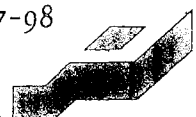


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	<input checked="" type="checkbox"/>		SVI	<input checked="" type="checkbox"/>



22nd annual report-1997-98

PENTAFOUR
Software & Exports Ltd.





PROGRAMMING THE FUTURE

CONTENTS

CHAPTERS	PAGE NO.
Corporate Mission Statement	1
The Year That Was	2
Board of Directors	3
Letter from the CMD's Desk	4
Report on International Operations	11
Report on Multimedia Operations	16
Report on SDP Operations	18
Summary of Testimonials	20
Sinbad Pull out	23
Directors' Report	26
Auditors' Report	33
Balance Sheet	36
Profit & Loss Account	37
Schedules	38
Statement of Cash Flows	49
Shareholders' Information	50
Five Year Financial Highlights	53
Worldwide Presence	54

All visuals forming part of this Annual Report have been taken from our work -
 "Sinbad: Beyond the Veil of Mists", the first full 3D real time animated motion capture feature film in the world.

Financial Statements recast under
United States Generally Accepted Accounting Principles (US GAAP)
(Unaudited)





CONTENTS

Balance Sheet	2
Income Statement	3
Statement of Stockholders' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	7

All visuals forming part of this Booklet have been taken from our work -
"Sinbad : Beyond the Veil of Mists", the first full 3D real time animated motion capture feature film in the world.

Balance Sheet as at March 31,

		in \$	
	Note	1998	1997
ASSETS			
CURRENT ASSETS			
Cash, cash equivalents and restricted cash	2.2	9,023,226	4,099,409
Investment securities available-for-sale at fair value		-	1,361,464
Accounts Receivable	2.3	20,654,917	9,720,480
Inventories, at cost		517,593	344,535
Prepaid expenses and other assets	2.4	1,523,963	1,639,058
Total Current assets		31,719,699	17,164,946
Property, Plant and equipment - net	2.5	79,299,388	59,845,083
TOTAL ASSETS		111,019,087	77,010,029
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Current Portion of Long Term Debts	2.8	5,901,682	3,388,125
Working Capital Loans from Banks		6,327,017	2,592,215
Accounts payable	2.6	980,371	833,779
Other Current Liabilities	2.7	4,909,541	4,274,670
Total Current Liabilities		18,118,611	11,088,789
Long Term Debts	2.8	25,482,141	19,321,923
TOTAL LIABILITIES		43,600,752	30,410,712
REDEEMABLE PREFERRED STOCK			
14.75% cumulative , 400,000 shares			
Issued and outstanding	2.9	1,305,001	594,863
STOCKHOLDERS' EQUITY			
COMMON STOCK			
par value - \$ 0.25; 30,000,000 authorised			
(1997 - 30,000,000)			
Issued and outstanding 17,039,500		5,240,910	4,267,880
(1997 - 13,507,400)			
Additional paid-in-capital - From common stock		26,944,464	17,282,910
Unrealised Gain / (Loss) on Investments		-	550,849
Cumulative translation adjustment		(8,681,108)	(2,815,808)
Retained Earnings			
Appropriation to Debenture Redemption Reserve		2,544,744	79,521
Free and unappropriated		40,064,324	26,639,102
		42,609,068	26,718,623
Total Stockholders' equity		66,113,334	46,004,454
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		111,019,087	77,010,029

Income Statement for the year ending March 31,

		in \$		
	Note	1998	1997	1996
REVENUES				
Net Revenues		76,064,536	47,947,805	33,702,371
Other Income	2.10	693,643	313,722	167,763
Total		76,758,179	48,261,527	33,870,134
COSTS AND EXPENSES				
Cost of revenues		39,382,059	26,064,395	19,634,296
Selling, general and administrative expenses		4,070,261	2,276,321	1,893,110
Depreciation		6,866,325	2,266,050	1,019,482
Interest expense (net)		6,663,431	4,176,009	1,649,988
Total		56,982,076	34,782,775	24,196,876
Income before Income-taxes and accounting changes		19,776,103	13,478,752	9,673,258
Provision for Income tax		-	-	(194,378)
Income before accounting changes		19,776,103	13,478,752	9,478,880
Accounting changes		(1,370,692)	(114,139)	(121,171)
Net Income		18,405,411	13,364,613	9,357,709
Preferred Stock Dividend		(141,293)	(27,320)	-
Tax on preferred stock dividend		(14,129)	-	-
Net Income available to common shareholders		18,249,989	13,337,293	9,357,709
EARNINGS PER SHARE OF COMMON STOCK				
Weighted average common stock outstanding		15,326,673	10,839,455	9,585,482
Earnings before accounting changes		1.28	1.24	0.99
Accounting changes		(0.09)	(0.01)	(0.01)
Net earnings per share		1.19	1.23	0.98
Dividend declared per share		0.14	0.13	0.12

Statements of Stockholders' Equity

	Common Stock	Additional Paid-in-Capital	Unrealised Gain / (Loss) on Investments	Cumulative Translation Adjustment	Retained Earnings	Total Stockholders' Equity
	Shares Outstanding Nos.	Amount \$	\$	\$	\$	\$
Balance at March 31, 1995	7,607,400	2,535,837	1,656,493	-	6,642,394	10,706,700
Issuance of Common Stock	2,000,000	636,537	-	(128,024)	-	636,537
Receipt of Additional Paid in Capital	-	-	5,728,835	-	-	5,728,835
Net Income available to common shareholders	-	-	-	-	9,357,709	9,357,709
Dividend Declared	-	-	-	-	(1,118,766)	(1,118,766)
Share Issue & Preliminary Exp. W/o	-	-	(290,994)	-	-	(290,994)
Unrealised Gain / (Loss) - Investments	-	-	687,078	-	-	687,078
Translation Adjustments	-	-	-	(1,641,828)	-	(1,641,828)
Balance at March 31, 1996	9,607,400	3,172,374	7,094,334	687,078	14,881,337	24,065,271
Issuance of Common Stock	3,900,000	1,095,506	-	-	-	1,095,506
Receipt of Additional Paid in Capital	-	-	10,604,494	-	-	10,604,494
Net Income available to common shareholders	-	-	-	-	13,337,293	13,337,293
Dividend Declared	-	-	-	-	(1,500,008)	(1,500,008)
Premium on Redemption of Preferred Stock	-	-	(6,523)	-	-	(6,523)
Share Issue & Preliminary Exp. W/o	-	-	(409,395)	-	-	(409,395)
Unrealised Gain / (Loss) - Investments	-	-	-	(136,229)	-	(136,229)
Translation Adjustments	-	-	-	(1,045,956)	-	(1,045,956)
Balance at March 31, 1997	13,507,400	4,267,880	17,282,910	550,849	26,718,622	46,004,453
Issuance of Common Stock	3,532,100	973,030	-	-	-	973,030
Receipt of Additional Paid in Capital	-	-	10,188,406	-	-	10,188,406
Net Income available to common shareholders	-	-	-	-	18,249,989	18,249,989
Dividend Declared (Interim and Final)	-	-	-	-	(2,145,039)	(2,145,039)
Tax on Dividend	-	-	-	-	(214,504)	(214,504)
Premium on Redemption of Preferred Stock	-	-	(36,490)	-	-	(36,490)
Share Issue & Preliminary Exp. W/o	-	-	(490,362)	-	-	(490,362)
Unrealised Gain / (Loss) - Investments	-	-	-	(550,849)	-	(550,849)
Translation Adjustments	-	-	-	(5,865,300)	-	(5,865,300)
Balance at March 31, 1998	17,039,500	5,240,910	26,944,464	-	42,609,068	66,113,334

Note:

- Retained Earnings includes Appropriation to Debenture Redemption Reserve aggregating \$ 2,544,744 and \$ 79,521 for the years ended 1998 and 1997 respectively.
- Additional Paid-in-capital (capital in excess of par value) is not available for distribution as dividends.

Statement of cash flows for the year ending March 31,

	in \$		
	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	18,405,411	13,364,613	9,357,709
Adjustment to reconcile net income to net cash provided by operating activities			
Income-Tax provision	-	-	194,378
Depreciation,depletion and amortization	6,866,325	2,266,050	1,019,482
Accounting changes - depreciation	1,370,692	114,139	121,171
Provision for decline in value of investments	-	155,972	177,250
Loss/(Profit) on sale of property, plant and equipment	11,415	-	(8,952)
Income from investments	(75,570)	(22,490)	(30,087)
Profit on sale of investments	(597,574)	-	(42,805)
Changes in assets and liabilities			
Decrease / (Increase) in restricted cash	(40,036)	535,984	(474,173)
Decrease / (Increase) in accounts receivable	(10,934,437)	(5,147,781)	(2,028,888)
Decrease / (Increase) in inventories	(173,058)	417,836	566,545
Decrease / (Increase) in other current assets	115,095	614,877	(466,491)
Increase / (Decrease) in current liabilities	1,606,764	(1,117,700)	1,739,180
Net cash provided by operating activities	16,555,027	11,181,500	10,124,319
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(27,727,862)	(42,216,979)	(7,781,446)
Proceeds on sale of property, plant and equipment	25,127	-	37,081
Purchase of investments	(41,528)	-	(357,496)
Proceeds on sale of investments	1,449,717	-	605,225
Income from investments	75,570	22,490	30,087
Proceeds on sale of property,plant and equipment	-	-	-
Net cash used in investing activities	(26,218,976)	(42,194,489)	(7,466,549)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (Decrease) in working capital loans	3,734,802	1,615,524	976,691
Proceeds from Long-term borrowings	9,259,041	21,214,145	1,594,637
Proceeds on issue of preferred stock	559,675	561,020	-
Proceeds on issue of common stock	11,161,436	11,700,000	6,365,372
Stock Issue costs	(490,362)	(409,395)	(290,994)
Repayment of long term borrowings	(1,887,122)	(1,704,330)	(6,008,369)
Dividend paid to preferred stockholders	(27,320)	-	-
Dividends paid to common stockholders	(1,760,756)	(1,118,766)	(900,140)
Tax paid on Dividend to stockholders	(136,364)	-	-
Net cash provided by Financing activities	20,413,030	31,858,198	1,737,197
Effect of translation difference	(5,865,300)	(1,045,956)	(1,641,828)
Net increase / (decrease) in cash and cash equivalents during the year	4,883,781	(200,747)	2,753,139
Cash and cash equivalents at the beginning of the year	3,794,209	3,994,956	1,241,817
Cash and cash equivalents at the end of the year	8,677,990	3,794,209	3,994,956

	in \$		
	1998	1997	1996

Supplemental disclosures of cash flow information
Cash paid during the year for

Interest (net)	(6,117,432)	(3,614,389)	(1,579,903)
Income tax	(144,343)	(204,330)	(107,153)

**Supplemental schedule of noncash
investing and financing activities**

	-	-	
Unrealized gain /(loss) on fair value of investments	(550,849)	(136,229)	687,078
Reserve for Premium on preferred stock	36,490	6,523	-
Provision for Preferred stocks dividend	141,293	27,320	-
Provision for tax on Preferred stock dividend	14,129	-	-
Proposed dividend - Common stockholders	1,248,609	1,363,644	1,118,766
Tax on proposed dividend	124,860	136,364	-


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