

UNITED NATIONAL FILM CORP  
Form 10-K  
February 03, 2003

FORM 10-K  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
 ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended June 30, 2001  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number \_\_\_\_\_

UNITED NATIONAL FILM CORPORATION

(Exact name of Small Business Issuer as specified in its charter)

Colorado 84-1092589  
State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

6363 Christie Avenue (510) 653-7020

Emeryville, CA 94608

(Address of Principal (Issuers telephone number)

Executive Offices)

Check whether the issuer:

(1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

The number of shares outstanding of the issuers Common Stock, \$.001 par value, as of June 30, 2001 was 6,966,983 shares.

UNITED NATIONAL FILM CORPORATION  
INDEX

	Page Number
PART I -	
Item 1.	
Business History	3
Description of Business	4
Industry Profile	4
Item 2.	
Products	4

Item 3. Legal Proceedings	4
Item 4. Submission of Matters to a Vote of Security Holders	4
PART II	
Item 5. Market Price for Registrants Common Equity and Related Stockholder Matters.	5
Item 6 Selected Financial Data.	5
Item 7 Managements Discussion and Analysis of Financial Condition and Results of Operations	5
Item 8 - Financial Statements Auditors Report and financial statements	9 F-1 to F-11
Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	21
PART III	
Item 10. Directors and Executive Officers	21
Item 11 Executive Compensation	21
Item 12 Security Ownership of Management	22
Item 13 Related Transactions, Changes in Securities	22
PART IV	
Item 14 Exhibits, and Reports on Form 8-K. Signature	22 23

PART 1.

Item 1. Business History

United National Film Corporation (the Company), formerly known as Riverside Capital, Inc. was formed under the laws of the State of Colorado on July 19, 1988, in order to evaluate, structure and complete a merger with, or acquisition of, prospects consisting of private companies, partnership or sole proprietorships. On February 28, 1989, the Company completed a public offering of 20,500,000 Units at an offering price of \$.01 per unit. Each Unit consisted of one share of the Company's no par value common stock and three Class A Common Stock purchase Warrants. Each A Warrant entitled the holder to purchase, at a price of \$.02, one share of Common Stock and one Class B Common Stock purchase Warrant until December 22, 1992. Each B Warrant entitled the holder to purchase one share of Common Stock at \$.05 per share until December 22, 1992. The proceeds to the Company from its initial public offering were approximately \$159,090.

On March 2, 1989, the company made a \$20,000 investment in Escalante Capital, Inc. (Escalante) a wholly owned subsidiary of the Company. Escalante did not engage in any business activity and has been dissolved.

On June 19, 1989, the Company purchased an eighty percent (80%) interest in Fortune Mint, Inc. (Fortune) for \$75,000 in cash, subsequently selling all of its interest in Fortune to Heavenly Hot Dogs (Heavenly) for 90 day promissory note for \$75,000 and 7,000,000 restricted shares of Heavenly common stock, Heavenly defaulted on its note and the agreement to sell Fortune to Heavenly was terminated. Fortune closed down its activities and is no longer manufacturing its mints. As of September 7, 1990, the Company no longer owned any interest in Fortune and has written off its investment.

On March 18, 1992, the Company acquired all of the issued and outstanding shares of United National Film Corporation in exchange for an aggregate of 407,250,000 (after giving effect to a one for two reverse split) authorized but unissued shares of the common stock, no par value, of (Riverside Capital Inc.) United National Film Corporation assisted Riverside Capital, Inc. in a business combination which resulted in the shareholders of United National Film Corporation owning together approximately 90% of the then issued and outstanding shares of Riverside Capital common stock and Riverside Capital, Inc. holding 100% of the issued and outstanding shares of United National Film Corporation's common stock. No cash was acquired by either corporation in this merger. United National Film Corporation became the surviving entity.

On February 5, 1998, the Company entered into a Stock Purchase and Exchange Agreement with Titus Productions, Inc. (Titus) which provided for the recapitalization of the Company. Pursuant to the Agreement, the Company acquired all of the capital stock of Titus and the common voting shares of Mr. Conrad Sprenger and Mr. L. Richard Bare in exchange for the distribution of the shares of Mr. Deno Paoli, Mr. Ted Mortarotti and Ms. Jody Mortara. Following the completion of the exchange, Mr. Paoli owned approximately 36.6% and Mr. Mortarotti and Ms. Mortara each owned approximately 18.3% of the issued and outstanding shares of the Company.

On September 14, 1998, the Company purchased the worldwide rights from Arthur L. Stashower in the feature film entitled Molly and Lawless John, starring Sam Elliott. In consideration thereof 40,000 shares of the company stock were issued and an agreement to pay \$50,000 on January 15, 1999. Mr. Stashower was acting in his own capacity prior to being nominated to the Board of Directors. Mr. Stashower, now the Company President, has deferred payment until the Company has completed its financing plans.

On January 20, 1999, the company entered into an agreement with Winner Take All a California Limited Partnership to acquire all the assets of the Partnership consisting of all rights, title and interest to the screenplay (Winner Take All), which included all beneficiary agreements. The consideration paid for the acquisition was the issuance of 105,000 Shares of Common Stock divided among the limited partnership in accordance with their respective interests. Deno Paoli, one of the General Partners of Winner Take All, Ltd and a shareholder of the Company, abstained from voting and did not receive consideration for the transfer of his partnership interest in the Company.

On June 9, 1999, a joint venture agreement was entered into with the company known as Animation and Effects to produce a series of entitled Snappy Sings. The joint venture will own all the rights to Snappy Sings including all

copyrights. Ten per cent (10%) of the future revenues will to Animation and Effects and ninety per cent (90%) of the future revenue to the Company until the sum received by the Company equals the amount to be advanced by the Company. Thereafter revenues will be shared forty per cent (40%) to Animation and Effects and sixty per cent (60%) to the Company. The joint venture agreement with Animation and Effects has expired, the Company and Animation & Effect have discussed the extension of the joint venture agreement and expanding the educational programming. The Company is planning to finance this project thru private financing.

On May 24, 2000 an agreement was entered into granting the Company the exclusive rights and option to acquire the motion picture and television rights in the novel written by Paul E. Erdman entitled. The Billion Dollar Sure Thing The terms of the agreement provided that Paul E. Erdman will be paid Two and one-half per cent of the final approved budget of the motion picture based on the book if produced, but not less than \$250,000 and not more than \$1,000,000. In addition Mr. Erdman will be entitled to receive the sum equal a 2.5% of the net profit derived by UNFC from the picture. The Company has reached a preliminary understanding with Lucid, Ltd. of Ireland to raise capital for this film through a government program. There is no assurance that the project can be pre-sold to meet the capital requirements of the film making. On June 20, 2001 the company reached a settlement agreement with two former officers which includes the purchase by the Company of all of the stock of those officers. (See Legal Proceedings)

#### Description of Business:

The Company was formed with a mission to identify, acquire, shoot and produce high quality budget films conceived both by UTNF and others in order to fill a void in the consumer market. Our objectives and goals are to produce quality budget pictures in the three to ten million dollar range. From time to time, UTNF will acquire a project that will warrant a larger budget like its newly acquired original novel The Billion Dollar Sure Thing.

UTNF is continuing to acquire films for its new library. Plans call for the acquisition of an Internet based, interactive, entertainment entity to complement its efforts to provide a steady cash flow. Management is continuing its efforts to acquire a small to medium sized distribution company.

The Company plans to finance projects that it intends to produce by securing advance payments through the sale of distribution rights to companies skilled in marketing independent films. Foreign sales can bring upward to fifty (50) viable territories ranging from \$5000 to \$100,000 for the right to exhibit. UNFC has prepared a Prospective Offering to finance its Children Education Programs. There can be no assurance the additional financing will be available on acceptable terms, if at all.

#### Industry Profile:

Technological changes are occurring at a rapid pace. Television brought movies into the homes and video cassettes have become a new source of income. Each new technological change brings new and potential sources of income. Television stands on the cusp of a revolution as it moves from relatively fuzzy analog images of today to the crisp digital picture that will be available very soon to the public.

The motion picture industry is still a \$25 to \$30 billion per year business in the United States and Canada. Statistics show that 50% of the average picture revenue comes from the foreign market. New technological changes will in the near future change the way movies are now distributed giving more opportunities for independent film companies to market their product. No one knows how soon or at what speed these changes will occur, but the film industry is in agreement that it will happen. In the opinion of the many, the independent film makers will benefit the most.

#### Products:

Video Tapes for Children, is the most profitable areas of the direct to home video market. In the opinion of management this series of video will provide many years of income for the Company. It is expanding children program to take advantage of its low production cost and the immediate return of capital. UNFC plans to joint venture its Children programs with Animation and Effects and with Allen International Production.

Specific Intent is in development stages and was selected for the company first feature film budgeted for less than three million dollars. In the opinion of management it has all of the elements of a successful movie. The plot has action, suspense, humor and sadness. It is a script that can be filmed in 30 days, a short period of time for the production of feature films of this quality. The cost of production, the plot and its quick and easy shooting schedule were all taken in consideration in this decision.

Gerry Was Her Code Name is also in development. A true story of a teen age girl who risked her life during World War II. UNFC expects to joint venture this movie with European Productions Companies in order to share its cost of production. This story and script was submitted to a cable company for a possible T.V. mini series and is still being seriously considered. There is no assurance that the cable company will choose this story over other submitted material.

The Billion Dollar Sure Thing: its newly acquired novel. A screenplay was recently completed the company has reached a tentative joint venture agreement with an overseas company to finance the film under its government program. The acquired feature film Molly and Lawless John starring Sam Elliott is planned for re-distribution at later date.

#### Item 3. Legal Proceedings:

There are no legal proceedings pending or threatened against the Company. The Company has filed litigation with the former Vice President and Secretary of the Company. On June 26, 2001. The Company reached a tentative settlement of that pending litigation.

The Board of Directors held a special meeting on June 24,2001 to discuss the settlement agreement reached with its former Vice President and Secretary of the Company. A motion was made and unanimously carried to the terms and condition of the settlement agreement. The Board of Directors instructed legal counsel to complete the necessary documents to conclude and finalize the settlement. As of June 30, 2001, the formal Settlement Agreement and other documentation necessary to conclude that the settlement was in negotiation between the counsel for the Company and counsel for the former officers of the Company. Finalization of the settlement is pending the ability of the Company to fund the stock repurchase agreement associated with the settlement agreement.

#### Item 4. Submission of Matters to a Vote of Security Holders:

No matters have been submitted to the vote of the security holders and there are no matters pending which will require the vote of the Security Holders.

#### Item 5. Market Price for Registrants Common Equity and Related Stockholder Matters:

The Company has 6,966,983 shares outstanding as of June 30, 2001 of which approximately 30% is held by insiders. On November 9, 1999 UNFC common stock began trading on the NASDAQ electronic bulletin board under the symbol UTNF. Holders of common stock are entitled to receive such dividend as may be declared by the Registrants Board of Directors. No dividends have been paid with respect to the Registrants common stock and no dividend is anticipated to be paid in the foreseeable future. The following is the report of the market trading on the shares of the Company as available;

	High	Low
07-01-00 through 06-30-01	\$ .12	\$ .07

## Item 6. Selected Financial Data:

The following table sets forth certain selected financial data with respect to the Company and is qualified in its entirety by reference to the financial statements filed herewith:

	STATEMENT OF OPERATIONS	
	For the period ending June 30,	
	2001	2000
Revenues	-	-
Net Loss	(105,214)	(263,285)
Basic Net Loss per Share	(0.01)	(0.04)
Weighted Average Shares used in Computation	6,916,983	6,526,983

	BALANCE SHEET DATA	
	Year Ended June 30,	
	2001	2000
Total Assets	99	65,227
Current Liabilities	80,886	60,400
Long Term Debt	8,000	8,000
Stockholders Equity	(2,873)	(2,873)

## Item 7. Managements Discussion and Analysis of Financial Condition and Result of Operation:

It has been the goal of the company to produce high quality, low budget motion pictures. The management of the Company had been in serious negotiation on a partnership or joint venture arrangement with a Transamerica Holding company to complete the financial arrangement. An agreement could not be reached due the concern by Transamerica Holding the outcome of the then pending suit against its two previous corporate officers and the inability to insure the delivery of two million shares. Management made the decision that it would have better success with overseas company and began to look for foreign company who wanted to enter the US market. The Company CEO has made numerous trips to England and Ireland and has established contract with an established Irish Law Firm Company with offices in Ireland and England to arrange financing up to 20 per cent of the Company Production cost thru a government sponsor program. The Company controls a number of screenplays and is hopeful it can finance the balance of the production cost through private offerings, partnership or joint ventures, or the pre-selling of the project to the overseas market.

Although the Company owns the rights to these Screenplays have value it has not assigned any book value to these projects. The management team has over 70 years of experience in the motion picture business all in all area including production and management. (See management)

The Company plans to continue its projects in the children market and to finance this series by private placements or with a joint venture, partnership. In addition to the Company plans to continue producing features films. The company plans to take steps to prepare it to serve the Internet market when feasible and avail itself of all the technological opportunities. The Management team has spent considerable time and at its own expense in efforts to raise sufficient capital to fulfill it Business plan.

The Company plans to research and create motion picture products for the anticipated internet movie market and the growing DVD market. Low cost movies products with on time scheduling will be the focus and hallmark of the company. The company will seek not only quality scripts and talent but also explore new technology to suit the developing internet needs of the consumers.

Results of Operation:

The following is a discussion of the results of operations from June 30, 2000 through June 30, 2001.

Net Sales:

There has been no income generated during the prior fiscal twelve month period. The Company is still developing their projects and to date has not completed its projects to generate income. The sources of funds generated this fiscal period have come from loans to the company by management.

Marketing and Sales Expenses:

There were no marketing and sales expenses during this reporting period.

Non-cash imputed compensation expenses:

The Company issued 100,000 shares of restricted common stock to a consultant for services rendered during this fiscal period.

General and Administrative Expenses:

General and Administrative expenses have been held to a minimum because of the delay in the development of the companys products. The delay is due to investors reluctance to assist in financing the companys products because of the pending lawsuit against two former company officers. With the release of the pending lawsuit and the agreement reached by all parties, it is anticipated that a financing program will be completed during this new fiscal period. The accrued expenses during this fiscal period were \$12,500 and were fees for professional services in the arbitration hearing and settlement agreement. Stock was issued in lieu of payment of this fee (See Changes in Securities). Unpaid advances by its CEO for expenses for corporate purposes in the amount of \$2,316. The Company General and Administrative expenses for this account \$7,728. It is expected the General and Administrative expenses will increase in the future periods as a result of trading status and development of projects.

Interest Income:

There was no interest income through June 30, 2001

Liquidity and Capital Resources:

The Companys principal sources of liquidity were cash and cash equivalents from its accounts. There were no Capital Expenditures for the period ending June 30, 2001. The Company anticipates a substantial increase in its capital expenditures in 2001-2002 fiscal period due to commencement of production on its children projects and the production of its first film projects. With its legal settlement the Company is now actively engaged in completion of its financing activities to raise the necessary capital to begin production. The Companys ability to grow will depend in part on the Companys ability to expand its market penetration into the overseas market. In connection therewith, the Company may need to raise additional capital in the foreseeable future from public or private equity or debt service in order to avail itself of opportunities that may come before the Company. If additional funds are raised through issuance of equity securities, the percentage ownership of the Companys then existing shareholders will be reduced. Moreover, shareholders may experience additional and significant dilution, and such equity securities may have rights, references or privileges senior to those of the Companys Common Stock. Although Management has made significant progress in obtaining overseas financing, there is no assurance that additional financing will be available on terms acceptable to the Company.

The Company may be unable to implement its business, sales, or marketing plan, respond to competitive forces or take advantage of perceived business, opportunities, which inability could have a material adverse effect on the Companys business, prospects. (See financial conditions and results of operations0.

Item 8 - Financial Statements

Auditors Report and financial statements

UNITED NATIONAL FILM CORPORATION  
AND SUBSIDIARY  
(A Development Stage Enterprise)  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page #
Report of Independent Certified Public Accountants	F-2
Consolidated Financial Statements	
Balance Sheets as of June 30, 2001	F-3
Statements of Operations	
for the year ended June 30, 2001	F-4
Statements of Changes in Stockholders Equity	
for the years ended June 30, 2001	F-5
Statements of Cash Flows	
for the year ended June 30, 2001	F-6
Notes to Consolidated Financial Statements	F-7-11

F-1

INDEPENDENT AUDITORS REPORT

To the Stockholders and Board of Directors  
United National Film Corporation

We have audited the accompanying consolidated balance sheet of United National Film Corporation and Subsidiary as of June 30, 2001 and the related consolidated statements of operations, changes in stockholders equity and cash flows for the years ended June 30, 2001 and 2000. These financial statements are the responsibility of Company management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United National Film Corporation and Subsidiary as of June 30, 2001 and the results of its operations, changes in stockholders equity and cash flows for the years ended June 30, 2001 and 2000 in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company incurred losses of \$105,214 for the year ended June 30, 2001. Additionally, the Company had a working capital deficiency of \$80,787 at June 30, 2001. These conditions raise substantial doubt about the ability of the Company to continue as a going concern. Managements plans with respect to these matters are also described in Note 2 to the financial statements. The accompanying financial statements do not include any adjustments that might result should the Company be unable to continue as a going concern.

/S/  
 Sherb & Co.,LLP  
 Certified Public Accountants  
 New York, New York  
 January 27, 2003

F-2

UNITED NATIONAL FILM CORPORATION  
 AND SUBSIDIARY  
 (A Development Stage Enterprise)  
 CONSOLIDATED BALANCE SHEET  
 JUNE 30,2001

ASSETS

CURRENT ASSETS: Cash	\$	99
----------------------	----	----

LIABILITIES AND STOCKHOLDERS EQUITY

CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$	30,886
Note payable		50,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>80,886</b>
 LOAN FROM SHAREHOLDER		 14,800

STOCKHOLDERS EQUITY:

Preferred stock - \$.01 par, 3,000,000 shares authorized, 21,500 shares issued and outstanding	215
Common stock - \$.001 par, 30,000,000 shares Authorized, 6,966,983 shares issued and outstanding	6,967
Paid in capital	469,318
Accumulated deficit	(572,087)
TOTAL STOCKHOLDERS EQUITY	(95,587)
	\$ 99

F-3

UNITED NATIONAL FILM CORPORATION  
AND SUBSIDIARY  
(A Development Stage Enterprise)  
CONSOLIDATED STATEMENT OF OPERATIONS

	For the Year ending June 30	
	2001	2000
REVENUE	\$ -	-
SELLING, GENERAL & ADMINISTRATIVE EXPENSES	26,914	32,885
NON-CASH IMPUTED COMPENSATION EXPENSE	12,500	230,000
WRITE OFF FILM COSTS	64,500	-
	103,914	262,885
INTEREST EXPENSE	(1,300)	(400)
NET LOSS	(105,214)	(263,285)
BASIC LOSS PER SHARE	(0.01)	(0.04)
WEIGHTED AVERAGE SHARES OUTSTANDING	6,916,983	6,526,983

F-4

UNITED NATONAL FILM CORPORATION  
AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY  
FOR THE PERIOD ENDING JUNE 30,2000 AND 2001

	Preferred Stock		Common Stock		Paid-in	Accumulated	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	
Balance 06-30-99	100,000	\$1000	6,186,983	\$6187	\$205,313	\$(203,588)	8,912
Sale of Series B Convertible Preferred Stock	21,500	215	-	-	21,285	-	21,500
Stock issued for Services	0	0	680000	680	229,320	-	230,000
Net loss	0	0	0	0		(263,285)	(263,285)
Balance, 06-30-00	121,500	1,215	6,866,983	6,867	455,918	(466,873)	( 2,873)
Stock issued for Services	0	0	100,000	100	12,400	-	12,500
Cancellation of Series A Preferred	(100,000)	(1,000)	-	-	1,000	-	-
Net Loss	0	0	0	0	0	(105,214)	(105,214)
Balance, 06-30-01	21,500	\$ 215	6,966,983	6,967	469,318	(572,087)	(95,087)

F-5

UNITED NATIONAL FILM CORPORATION  
AND SUBSIDIARY  
(A Development Stage Enterprise)  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDING JUNE 30

	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (105,214)	(263,285)
Adjustments to reconcile net loss to net cash Provided by operating activities:		
Common Stock Issued for services	12,500	230,000
Write-off of film costs	64,500	-
Changes in operating assets and liabilities:		
Increase (decrease) in accounts payable	20,486	5,400
Total adjustments	97,486	235,400
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(7,728)</b>	<b>(27,885)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in loan from shareholder	6,800	6,500
Proceeds from issuance of Preferred Stock	-	21,500
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>6,800</b>	<b>28,000</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(928)</b>	<b>115</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>1,027</b>	<b>912</b>

CASH AT END OF PERIOD \$ 99 1,027

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

During the period ended June 30, 2001 and 2000, the Company issued 100,000 and 680,000 shares of common stock, respectively, with a total value of \$12,500 and \$230,000, respectively, in exchange for consulting fees.

See notes to consolidated financial statements

F-6

**UNITED NATIONAL FILM CORP. AND SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND BUSINESS DESCRIPTION**

United National Film Corp. and Subsidiary (Company) is a Colorado corporation. The Company through its subsidiary Titus Production, Inc. (Titus) is engaged in the acquisition and development of properties for, and the production of, television series, television specials, made-for-home television motion pictures and feature length motion pictures for domestic and international distribution.

In February 1998, pursuant to a stock purchase and exchange agreement, the Company acquired all of the capital stock of Titus, a Nevada Corporation formed on January 6, 1998 in exchange for 4,000,000 shares of common and 100,000 shares of preferred stock of the Company.

Prior to this, the Company had no operations. The acquisition of Titus is being accounted for as a reverse acquisition under the purchase method of accounting since the shareholders of Titus obtained control of the consolidated entity. Accordingly, the merger of the two companies is recorded as a recapitalization of Titus, with Titus treated as the continuing entity. The historical financial statements presented are those of Titus.

**2. GOING CONCERN**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company incurred losses of \$105,214 for the year ended June 30, 2001. Additionally, the Company had a working capital deficiency of \$80,787 at June 30, 2001. These conditions raise substantial doubt about the ability of the Company to continue as a going concern. The Company is still developing its projects and has not completed any projects to generate income. The sources of funds generated this fiscal period have come from loans from an officer. Management is actively pursuing new debt and/or equity financing, however, any results of their plans and actions cannot be assured.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Accounting Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

b. Film Costs and Program Rights:

Film costs and program rights (project cost) which include acquisition and development costs such as story rights, scenario and scripts, direct production costs including salaries and costs of talent, production overhead and post-production costs are stated at the lower of cost or market and are deferred and amortized by the individual-film-forecast-computation method as required by Statement of Financial Standards No. 53.

c. Fair Value of Financial Instruments:

The carrying amounts reported in the balance sheet for cash, accounts and notes payable and accrued expenses approximate fair value based on the short term maturity of these instruments.

d. Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated.

e. Revenue Recognition:

The business of the Company is to derive revenues primarily from providing production services to third parties and exploiting projects originally developed by the Company in which it retains an ownership interest. Revenues from being a provider of contract production services are recognized using the percentage of completion method, recognizing revenue relative to the proportionate progress on such contracts as measured by the ratio which project costs incurred by the Company to date bear to the total anticipated costs of each project. Amounts advanced under such contracts are deferred and not recognized as revenue until obligations under such contracts are performed. Revenue from licensing company-owned projects is recognized when the film is delivered and available for showing, costs are determinable, the fee is known and collectibility is reasonably assured.

f. Income Taxes:

Deferred tax assets and liabilities are determined based on the difference between the financial statement and the tax basis of assets and liabilities using the enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

g. Net Loss Per Common Share:

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128 (SFAS 128), Earnings Per Share, which established new standards for computation of earnings per share. SFAS 128 requires the presentation on the face of the income statement of basic earnings per share and diluted earnings per share.

Basic earnings per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of outstanding common shares. The calculation of diluted earnings per share is similar to basic earnings per share except the denominator includes dilutive common stock equivalents such as stock options and convertible debentures. Common stock options and the common shares underlying the convertible preferred stock are not included as their effect would be anti-dilutive.

h. Impairment of Long-Lived Assets:

In the event that facts and circumstances indicate that the cost of an asset may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the assets carrying amount to determine if a write-down to market

value is required. For the year ended June 30,2001, the Company wroteoff \$64,500 of film costs.

i. Accounting for Stock Options:

The Company adopted Statement of Financial Accounting Standards No. 123 (SFAS 123), Accounting for Stock Based Compensation. SFAS 123 encourages the use of a fair-value-based method of accounting for stock-based awards under which the fair value of stock options is determined on the date of the grant and expensed over the vesting period. Under SFAS 123, companies may, however, measure compensation costs for those plans using the method prescribed by Accounting Principles Board Opinion No. 25 (APB No. 25), Accounting for Stock Issued to Employees. Companies that apply APB No. 25 are required to include pro forma disclosures of net earnings and earnings per share as if the fair-value-based method of accounting had been applied. The Company elected to account for such plans under the provisions of APB No. 25

4. STOCKHOLDERS EQUITY

The Company had 466,928,742 shares of common stock issued and outstanding at June 30, 1997. On February 5, 1998 the Company consummated a Stock Purchase and Exchange Agreement with Titus under which the Company acquired Titus and the previous shareholders of Titus obtained control of the Company. The Agreement provided for the recapitalization of the Company through the following transactions:

- a. reverse split the common stock of the Company at the ratio of 1:1000;
- b. issuance of 4,000,000 shares (post split) of common stock of the Company to the shareholders of Titus.
- c. issuance of 100,000 shares of non-voting convertible preferred stock (convertible into common voting stock at the ratio of 20:1) to the shareholders of Titus.
- d. the issuance of 1,000,000 shares of common stock pursuant to several consulting agreements, with such shares being registered in accordance with the Securities and Exchange Act of 1933 on Form S-8.

In June 1999, the Board authorized the issuance of up to 200,000 shares of Series B Preferred Stock (Series B) at the aggregate subscription price of \$1 per share pursuant to an offer and sale of such Series B in a Regulation D offering of the United States Securities Act of 1933. Holders of the Series B are entitled to receive a 6% annual dividend payable quarterly in arrears. The Series B is convertible at any time after issuance at 50% of the average closing bid price of the common stock or \$2.00 per share, whichever is lower when the common shares of the Company has traded above \$4.00 per share for ten (10) consecutive trading days. In addition, 10% of the series B carry warrants to purchase additional shares at the same terms.

In September 1999, the Companys Board of Directors approved the issuance of 500,000 shares of common stock, which included 400,000 shares to Company directors and to various consultants for services rendered during the year. These shares have been valued at \$.10 per share and have been accounted for as non-cash compensation expense.

In November 1999, the Companys Board of Directors approved the issuance of 180,000 shares of common stock, which included 30,000 shares to Company directors and various consultants for services rendered during the year. These shares have been valued at \$1 per share and have been accounted for as non-cash compensation expense.

In September, October and November 1999 the Company issued 21,500 shares of Series B convertible preferred stock at \$1 per share for \$21,500.

In December 2000, the Companys Board of Directors approved the issuance of 100,000 shares of common stock to a consultant for professional services rendered. These shares have been valued at \$.125 per share and have been accounted for as non-cash compensation expense.

## 5. STOCK OPTION PLAN

In February 1998, the Company adopted an incentive stock option plan pursuant to which qualified and non-qualified stock options up to an aggregate of 1,000,000 shares of common stock will be made available to selected employees, consultants, officers and directors. Options may be either incentive stock options or non-qualified stock options, except that only employees may be granted incentive stock options. Options vest at the discretion of the Board of Directors. The maximum term of an option is ten years. The 1998 Stock Option Plan will terminate in February 2008, though options granted prior to termination may expire after that date. In Fiscal 2001 and 2000, there were no grants or vesting of stock options.

A summary of the status of the Stock Option Plans at June 30, 2001 and 2000 and the changes during the years then ended is presented below:

	2001		2000	
	Weighted Average Shares Underlying Options	Exercise Price	Weighted Average Shares Underlying Options	Exercise Price
Outstanding at beginning of year	500,000	\$ 0.17	500,000	\$ 0.17
Granted	-	-	-	-
Exercised	-	-	-	-
Outstanding at end of year	500,000	0.17	500,000	0.17
Exercisable at end of year	500,000	\$ 0.17	500,000	\$ 0.17

## 6. NOTE PAYABLE

Pursuant to the acquisition of the screenplay, a non-interest bearing was issued for \$50,000, originally due on January 15, 1999, has been renewed for two years.

## 7. LOAN FROM SHAREHOLDER

Interest bearing loans made to the Company from the Chief Executive Officer amounted to \$14,800 at June 30, 2001, at an annual interest rate of 10%.

## 8. INCOME TAXES

The Company has adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109). Adoption of this statement did not have a material effect of the Company financial statements. SFAS 109 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities, and for the expected future tax benefit to be derived from tax loss and tax credit carry-forwards. SFAS 109 additionally required the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets.

	Years ended June 30,	
	2001	2000
Statutory federal income tax (benefit)	\$ (36,000)	(89,000)
Effect of permanent difference	4,000	78,000
(Benefit) not recognized	32,000	11,000
Tax provision	\$ -	\$ -

The Company has no deferred tax assets or liabilities as of June 30, 2001.

Item 9 - Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.  
None.

PART II.

Directors and Executive Officers:

The company has obtained a team of seasoned executives in the entertainment industry. The management team is comprised of Mr. Deno Paoli, as Chairman and Chief Executive Officer. Mr. Paoli has over 30 years of experience in the film industry as a producer and director and has held senior executive management positions. Mr. Paoli served as producer of the film Code Name Zebra by Pacific West Cinema Group; served as President of Vagabond Productions, Inc. which produced such films as Santee with Glenn Ford, and served as producer and director with World Production. Mr. Paoli served as President of Variety International Pictures, Inc. where he was responsible for all company business including film production and distribution.

Mr. Arthur Stashower will serve as President and Chief Operating Officer of the Company. Mr. Stashower is an attorney who has spent his entire career of over 40 years practicing in the entertainment industry. He served as an executive in the television industry as well as with United Artists Corporation. He has also been an executive in a talent agency. In his law practice Mr. Stashower has represented individuals and companies involved in all aspects of the entertainment industry, including actors, directors, writers, producers, production companies, foreign sales agencies and others. He has been production counsel for numerous motion pictures, movies of the week and mini series. Mr. Stashower is a graduate of the University of Michigan and received both his undergraduate and law degrees there, graduating from the prestigious University of Michigan Law School as a member of the Order of the Coif and in the top 5% of his class.

The third member of the management team is Mr. Peter D. Finch who is Vice President and Chief Financial Officer. Mr. Finch will be responsible for all financial aspects of the Company. He will work closely with the Company auditors of Feldman Sherb Horowitz & Co., P.C. of New York. Mr. Finch attended UCLA majoring in Math Physics and San Diego State University where he received a degree in Accounting. Mr. Finch served in the U.S. Army as a Captain with services in Southeast Asia working on Classified Warfare Missions. Returning to civilian life, he worked as a manager in the audit department of Arthur Young & Company and supervised audits of Fortune 1000 companies. Since 1978 he has worked in private practice providing business, tax and computer advice to various corporations.

Item 11 - Executive Compensation

During the fiscal reporting year applicable hereto, the Company has not paid any salary to its officers. Directors do not receive cash compensation for their services as Directors but may be reimbursed for their expenses in attending Directors meetings.

Item 12 - Security Ownership of Management

The following table sets forth, as of the date of this report, the stock ownership of each officer and director individually and all directors and officers of the Registrant as a group.

Mr. Deno Paoli	2,010,000	29.27%
Arthur Stashower	60,000	
Peter Finch	20,000	
As a Group	2,090,000	30.2%

Item 13. Related Transactions, Changes in Securities.

The Company issued 100,000 shares of restricted common stock to a consultant for professional services rendered.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) Exhibits

None

(b) Financial Statement Schedules

None

(c) Reports on Form 8-K.

None.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED NATIONAL FILM CORP.

By: /s/ Deno Paoli

President

Date: February 3, 2003