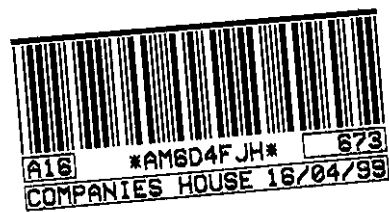


Air Management Services Limited

Directors' report and financial statements

31 August 1998

Registered number 1130005



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 1998.

Principal activities

The principal activity of the company is the provision of management services in the production of records. The directors do not anticipate any change in these activities over the coming year.

Results and dividends

The result for the year and prior year is set out in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend for the year under review (1997: *£nil*).

Directors and directors' interests

The directors who held office during the year were as follows:

NR Fenton	(appointed 30 April 1998)
SG Lewis	(appointed 30 April 1998)
JE Burgess	(resigned 30 April 1998)
CR Potterell	(resigned 30 April 1998)

The directors who held office at the end of the financial year did not have any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

At 31 August 1998, NR Fenton held 1,235 (1997: 3,680) ordinary shares of 10p each in Chrysalis Group plc and had an interest in a further 1,235 ordinary shares of 10p each held by Mrs Fenton (1997: 3,680). At 1 September 1997 Mr Fenton had options to acquire 5,000 ordinary shares of 10p each in Chrysalis Group plc, the ultimate parent company. On 18 February 1998, in accordance with the rules of the scheme the number of shares under option and the option price were amended as a result of the increase in the company's issued share capital following the placing and open offer which was completed on 29 August 1997. At 31 August 1998, NR Fenton had options to acquire 5,044 shares of 10p each in Chrysalis Group plc.

At 31 August 1998, and 31 August 1997, SG Lewis was a director of Chrysalis Group plc, the ultimate parent company and their share interests are stated in the directors' report of that company.

Directors' report

Year 2000 compliance

The Chrysalis Group, of which this company is a part, has upgraded both its internal computer network and its main accounting software over the past 18 months. In carrying out these two major upgrades, the Directors have sought to ensure that the new hardware and software selected was year 2000 compliant. The Directors of the Group are also in the process of assessing the compliance of all other computer hardware, software and other electronic equipment which uses time-coded software in use throughout the Group. Where instances of non-compliance have been found, these have been noted and the necessary changes are being made as part of the Group's normal ongoing replacement cycle before 31st December 1999. An internal working party comprising senior information technology and accounting personnel meets on a regular basis to plan and control the implementation of changes and review progress.

By order of the Board



CR Potterell
Secretary

The Chrysalis Building
Bramley Road
London
W10 6SP

Statement of 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Audit Plc

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditor's report to the members of Air Management Services Limited

We have audited the financial statements on pages 5 to 10.

Respective responsibilities of directors and auditors

As described on page 3 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 the company's affairs as at 31 August 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

14 April 1999

Profit and loss account

for the year ended 31 August 1998

	<i>Note</i>	1998 £	1997 £
Turnover		11,891	6,609
Administrative expenses		(12,323)	(6,857)
		<hr/>	<hr/>
Operating loss		(432)	(248)
Other interest receivable and similar income	4	432	248
		<hr/>	<hr/>
Profit on ordinary activities before and after taxation	2	-	-
Retained profit brought forward		-	-
		<hr/>	<hr/>
Retained profit carried forward		-	-
		<hr/> <hr/>	<hr/> <hr/>

Amounts relating to turnover and operating loss in the current and previous year derive from continuing activities.

The notes on pages 8 to 10 form part of these financial statements.

Statement of total recognised gains and losses

for the year ended 31 August 1998

There were no recognised gains or losses in the current or the previous year other than those shown in the profit and loss account.

Reconciliation of movements in shareholders' funds

for the year ended 31 August 1998

	1998 £	1997 £
Shareholders' funds brought forward	100	100
	<hr/>	<hr/>
Shareholders' funds carried forward	100	100
	<hr/> <hr/>	<hr/> <hr/>

Balance sheet

at 31 August 1998

	<i>Note</i>	1998 £	1997 £
Current assets			
Debtors	6	1,200	3,270
Cash at bank and in hand		21,854	5,531
		<hr/>	<hr/>
		23,054	8,801
Creditors: amounts falling due within one year	7	(22,954)	(8,701)
		<hr/>	<hr/>
Net assets		100	100
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	8	100	100
Profit and loss account		-	-
		<hr/>	<hr/>
Shareholders' funds - equity		100	100
		<hr/>	<hr/>

These financial statements were approved by the Board of directors on *22 Feb 1999* and were signed on its behalf by:



NR Fenton
Director

The notes on pages 8 to 10 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The following policies have been consistently applied:

Turnover

Turnover represents commissions received less value added tax and relates wholly to the company's principal activity in the UK.

2 Profit on ordinary activities before taxation

	1998	1997
	£	£
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	600	550
	<u> </u>	<u> </u>

3 Directors' and employees' remuneration

No directors received any remuneration from the company.

The company did not have any other employees and as a result incurred no staff costs.

4 Other interest receivable and similar income

	1998	1997
	£	£
Bank interest received	432	248
	<u> </u>	<u> </u>

5 Taxation

No tax charge arises in the current or prior year because of the available tax losses.

Notes (continued)

6 Debtors: due within one year

	1998	1997
	£	£
Other debtors	1,200	3,270
	<u>1,200</u>	<u>3,270</u>

7 Creditors: amounts falling due within one year

	1998	1997
	£	£
Amounts owed to undertakings in which the company has a participating interest	17,862	2,720
Other creditors including taxation and social security	4,092	5,431
Accruals and deferred income	1,000	550
	<u>22,954</u>	<u>8,701</u>
	=	<u>8,701</u>

8 Called up share capital

	1998	1997
	£	£
<i>Equity</i>		
<i>Authorised, allotted, called up and fully paid</i>		
100 shares of £1 each	100	100
	<u>100</u>	<u>100</u>

9 Directors' interests in transactions

JE Burgess had an interest in the management fees payable to JEB Management Limited by virtue of his share interest in that company. His interest in the fees payable for the year ended 31 August 1998 amounted to £3,383 (1997: £2,492).

10 Cash flow statement

The company is exempt from the requirement of Financial Reporting Statement No 1 (revised 1996) to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under sections 246 to 249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

Notes *(continued)*

11 Related party transactions

There were no material related party transactions during the year other than those disclosed under note 9 above.

12 Ultimate parent company

The ultimate parent company is Chrysalis Group plc, which is registered in England and Wales, for which consolidated accounts are prepared. The consolidated accounts of this company may be obtained from The Secretary, Chrysalis Group plc, The Chrysalis Building, Bramley Road, London, W10 6SP.