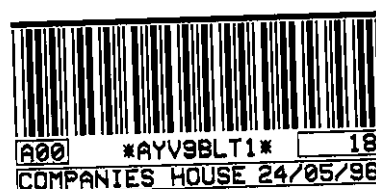


MUSICOM LIMITED  
FINANCIAL STATEMENTS

31ST AUGUST 1995

Registered number: 1849768

HERBERT PARNELL  
CHARTERED ACCOUNTANTS  
Woking Surrey



**MUSICOM LIMITED**

**FINANCIAL STATEMENTS**

**for the year ended 31st August 1995**

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**The following pages do not form part of the statutory accounts**

Detailed trading and profit and loss account	Appendix 1
Schedule to the detailed trading and profit and loss account	Appendix 2

**MUSICOM LIMITED**

**COMPANY INFORMATION**

**31st August 1995**

Incorporated in England on 20th September 1984

Number 1849768

**CHAIRMAN**

Mr W Deakin

**OTHER DIRECTORS**

Mr A S Koorlander  
Mrs L D Koorlander  
Mr D J Chirgwin  
Mr H W Bone  
Mr G H Blyth(appointed 12/2/96)

**SECRETARY**

Mrs L D Koorlander

**REGISTERED OFFICE**

Musicom House  
Habat Enterprise Park  
Bideford, Devon  
EX39 3HN

**BANKERS**

Midland Bank plc

**ACCOUNTANTS**

Herbert Parnell  
Chartered Accountants  
Kingsway House  
123 Goldsworth Road  
Woking Surrey  
GU21 1LR

**MUSICOM LIMITED  
DIRECTORS' REPORT**

31st August 1995

The directors present their report and the financial statements for the year ended 31st August 1995.

**Principal activity**

The principal activity of the company is the sale, design and development of computerised musical instruments.

**Business review**

The company's balance sheet as detailed on page 5 shows a deficiency of shareholders' funds amounting to £6,270.

On 12th February 1996, Mr G H Blyth accepted the appointment of Director to the Board of Musicom.

This appointment is part of the financial restructuring of the Company which commenced with an initial Capital input of £50,065 by Mr Blyth on 12th February, to be augmented with an equal, further input by the end of April 1996.

**Loss, dividends and appropriations**

The results for the year are shown in the profit and loss account on page 4. The directors do not propose payment of an ordinary dividend, the loss for the year is to be absorbed by reserves.

**Fixed assets**

Changes in fixed assets during the year are set out in note 8 to the accounts.

**Directors**

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	31st August 1995	1st September 1994
	Ordinary shares	Ordinary shares
Mr W Deakin	15,700	1,700
Mr A S Koorlander	18,550	2,550
Mrs L D Koorlander	750	750
Mr D J Chirgwin	550	-
Mr G H Blyth (appointed 12/2/96)	-	-

Mr G H Blyth was appointed to the Board on 12th February 1996 and being eligible now offers himself for re-election.

**Reporting Accountants**

The directors consider that for the year ended 31st August 1995 the company was entitled to exemption from a statutory audit under section 249A of the Companies Act 1985. Under the provisions of the Act, the directors have appointed Herbert Parnell as Reporting Accountants. Their report is shown on page 3 of the financial statements.

**Small company exemptions**

Advantage has been taken in the preparation of these financial statements of special exemptions applicable to small companies.

On behalf of the board

*L D Koorlander*

Mrs L D Koorlander  
Secretary

Musicom House  
Habat Enterprise Park  
Bideford, Devon  
EX39 3HN  
Date 30/4/96...

## MUSICOM LIMITED

## ACCOUNTANTS' REPORT

Accountants' report to the members  
on the unaudited financial statements of  
Musicom Limited

We report on the financial statements for the year ended 31st August 1995 set out on pages 4 to 12.

**Respective responsibilities of directors and reporting accountants**  
As described on page 5a the company's directors are responsible for the preparation of the financial statements, and they consider that the company is exempt from an audit. It is our responsibility to carry out procedures designed to enable us to report our opinion.

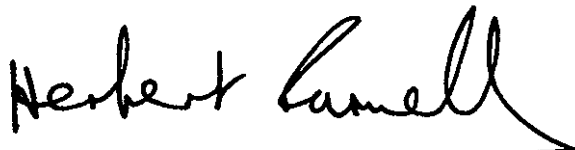
**Basis of opinion**

Our work was conducted in accordance with the Statement of Standards for Reporting Accountants, and so our procedures consisted of comparing the financial statements with the accounting records kept by the company, and making such limited enquiries of the officers of the company as we considered necessary for the purposes of this report. These procedures provide only the assurance expressed in our opinion.

**Opinion**

In our opinion:

- (a) the financial statements are in agreement with the accounting records kept by the company under section 221 of the Companies Act 1985;
- (b) having regard only to, and on the basis of, the information contained in those accounting records:
  - (i) the financial statements have been drawn up in a manner consistent with the accounting requirements specified in section 249C(6) of the Act; and
  - (ii) the company satisfied the conditions for exemption from an audit of the financial statements for the year specified in section 249A(4) of the Act and did not, at any time within that year, fall within any of the categories of companies not entitled to the exemption specified in section 249B(1).



Herbert Barnell  
Reporting Accountants

Woking, Surrey  
Date 30.4.96.

## MUSICOM LIMITED

## PROFIT AND LOSS ACCOUNT

for the year ended 31st August 1995

	Note	1995 £	1994 £
Turnover	2	303,666	392,113
Cost of sales		(103,995)	(139,826)
Gross profit		199,671	252,287
Net operating expenses			
Distribution costs		(37,867)	(28,255)
Administrative expenses		(182,019)	(182,553)
Other operating income		20,550	
Operating profit	3	335	41,479
Interest payable	5	(15,445)	(18,615)
(Loss)/profit on ordinary activities before taxation		(15,110)	22,864
Taxation	6	-	-
(Loss)/profit on ordinary activities after taxation		(15,110)	22,864
retained for the year	16		

Movements in reserves are shown in note 16.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1995 or 1994 other than the (loss)/profit for the year.

## MUSICOM LIMITED

## BALANCE SHEET

at 31st August 1995

	Note	1995		1994	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	7		92,186		108,982
Tangible assets	8		53,867		45,308
Investments	9		98		98
			<u>146,151</u>		<u>154,388</u>
<b>Current assets</b>					
Stocks	10	55,004		66,122	
Debtors	11	51,104		54,044	
Cash at bank and in hand		853		463	
		<u>106,961</u>		<u>120,629</u>	
Creditors: amounts falling due within one year	12	(109,327)		(114,465)	
<b>Net current (liabilities)/assets</b>			<u>(2,366)</u>		<u>6,164</u>
<b>Total assets less current liabilities</b>			<u>143,785</u>		<u>160,552</u>
Creditors: amounts falling due after more than one year	13		(150,055)		(182,262)
			<u>(6,270)</u>		<u>(21,710)</u>
<b>Capital and reserves</b>					
Called up share capital	15		35,550		5,000
Profit and loss account	16		(41,820)		(26,710)
<b>Total shareholders' funds</b>	14		<u>(6,270)</u>		<u>(21,710)</u>

continued .....

## MUSICOM LIMITED

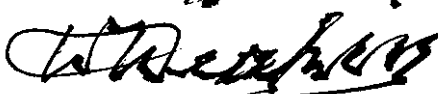
BALANCE SHEET  
(continued)

at 31st August 1995

The directors consider that for the year ended 31st August 1995 the company was entitled to exemption under subsection 2 of section 249A of the Companies Act 1985. No member or members have deposited a notice requesting an audit for the current financial year under subsection 2 of section 249B of the Act.

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985 and preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company.

The financial statements on pages 4 to 12 were approved by the board of directors on 30.4.96....



Mr W Deakin  
Chairman



**MUSICOM LIMITED****NOTES ON FINANCIAL STATEMENTS**

31st August 1995

**1 Accounting policies****Basis of accounting**

The financial statements have been prepared under the historical cost accounting rules.

**Consolidation**

The group qualifies under section 248 of the Companies Act 1985 as a small company exempt from the requirements to prepare consolidated accounts.

**Depreciation**

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Plant and machinery	25% pa Reducing Balance
Motor vehicles	25% pa Reducing Balance
Fixtures and fittings	25% pa Reducing Balance
Intangible research and development	Straight line over life of project
Tangible research & development	25% pa Reducing Balance

**Leases and hire purchase contracts**

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

**Research and development**

Where all of the following criteria are valid, development expenditure is deferred to periods expected to benefit from revenues generated when :

- There is a clearly defined project.
- The related expenditure is separately identifiable.
- The outcome of each project can be assessed with reasonable certainty to be technically feasible and commercially viable.
- The aggregate costs of development, production, selling and administration are reasonably expected to be more than covered by future revenues.
- Adequate resources exist and are reasonably expected to be available to enable the project to be completed and to provide any consequential increase in working capital.

In such cases development costs are amortised on a systematic basis over the period commencing with the commercial production of the product.

If any of the foregoing criteria do not apply the development expenditure is written off in the year it is incurred.

**Stocks**

Stocks are valued at the lower of cost and net realisable value.

**Pensions****Defined contribution scheme**

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

**Cash flow statement**

The company has taken advantage of the exemption provided by Financial Reporting Standard 1 and has not prepared a cash flow statement for the year.

## MUSICOM LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st August 1995

## 2 Analysis of results

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities stated net of value added tax.

The analysis of turnover by geographical area is as follows:

	1995	1994
	£	£
United Kingdom	108,417	172,291
Other E.E.C. countries	22,200	94,290
Other countries (USA & Australia)	173,049	125,532
	<u>309,249</u>	<u>392,113</u>

## 3 Operating profit

	1995	1994
	£	£
Operating profit is stated after charging		
Staff costs (note 4)	90,066	81,883
Audit & accountancy	4,738	6,771
Operating leases		
Hire of assets other than plant & machinery	-	386
Loss on sale of assets	-	3,772
Research and development expenditure	3,055	3,325
Amortisation of research & development	4,408	5,877
	<u></u>	<u></u>
Depreciation of tangible fixed assets (note 8)		
owned assets	16,729	13,634
leased assets	1,206	1,509
Amortisation of intangible fixed assets (note 7)	12,387	12,388
	<u>30,322</u>	<u>27,531</u>

## MUSICOM LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st August 1995

## 4 Directors and employees

	1995 £	1994 £
<b>Staff costs including directors' emoluments</b>		
Wages and salaries	88,653	80,511
Pension costs	1,413	1,372
	<u>90,066</u>	<u>81,883</u>
	<b>Number</b>	<b>Number</b>
Average number employed including executive directors		
Production staff	<u>8</u>	<u>8</u>
<b>Directors</b>	<b>£</b>	<b>£</b>
Directors' emoluments		
Other emoluments	<u>60,252</u>	<u>55,607</u>
	<u>60,252</u>	<u>55,607</u>

**Pension costs****Defined contribution scheme**

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £1,413 (1994 £1,372).

## 5 Interest payable

	1995 £	1994 £
Directors loan interest	10,010	10,010
Lease & other interest	751	1,280
Hire purchase interest	684	3,325
Debenture interest	<u>4,000</u>	<u>4,000</u>
	<u>15,445</u>	<u>18,615</u>

## 6 Taxation

The company has no liability for taxation.

## MUSICOM LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st August 1995

## 7 Intangible fixed assets

	Intangible Research & Development £	Tangible Research & Development £	Total £
<b>Cost</b>			
1st September 1994 and 31st August 1995	161,499	38,716	200,215
<b>Amortisation</b>			
1st September 1994	70,150	21,084	91,234
Charge for year	12,387	4,408	16,795
31st August 1995	82,537	25,492	108,029
<b>Net book amount</b>			
31st August 1995	78,962	13,224	92,186
1st September 1994	91,348	17,634	108,982

## 8 Tangible fixed assets

	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Land and Buildings £	Total £
<b>Cost or valuation</b>					
1st September 1994	3,050	76,174	14,941	1,245	95,410
Additions	-	25,959	-	535	26,494
31st August 1995	3,050	102,133	14,941	1,780	121,904
<b>Depreciation</b>					
1st September 1994	763	40,798	7,295	1,245	50,101
Charge for year	572	15,318	1,911	134	17,935
31st August 1995	1,335	56,116	9,206	1,379	68,036
<b>Net book amount</b>					
31st August 1995	1,715	46,016	5,735	401	53,867
1st September 1994	2,287	35,376	7,645	-	45,308

The net book amount of fixed assets includes £3,620 (1994 £4,826) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

## MUSICOM LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st August 1995

## 9 Fixed asset investments

	1995 £	1994 £
98 shares in Musicom Research Limited	98	98

## 10 Stocks

	1995 £	1994 £
Stock & work in progress	55,004	66,122
	55,004	66,122

## 11 Debtors

	1995 £	1994 £
Amounts falling due within one year		
Trade debtors	48,746	49,285
Other debtors	1,713	4,337
Prepayments and accrued income	645	422
	51,104	54,044

## 12 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank overdraft	76,434	72,068
Trade creditors	13,273	15,275
Amounts owed to group undertakings	98	98
Other taxation and social security	5,936	4,417
Other creditors	976	694
Accruals and deferred income	10,750	19,885
Obligations under finance leases and hire purchase contracts - note 13	1,860	2,028
	109,327	114,465

## MUSICOM LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st August 1995

13 Creditors: amounts falling due  
after more than one year

	1995 £	1994 £
<b>Non-convertible debt</b>		
Mr A S Koorlander debenture loan	37,970	56,477
Mr & Mrs W Deacon debenture loan	40,000	40,000
	<u>77,970</u>	<u>96,477</u>
<b>Other liabilities</b>		
Other loans	69,998	83,727
Obligations under finance leases	2,087	2,058
	<u>72,085</u>	<u>85,785</u>
<b>Total creditors: amounts falling due after more than one year</b>	<u>150,055</u>	<u>182,262</u>
<b>Maturity of debt</b>		
In five years or more	<u>147,968</u>	<u>180,204</u>
Debenture loans are repayable as follows:		
Not wholly repayable within five years: not repayable by instalments	<u>77,970</u>	<u>96,477</u>
Other loans are repayable as follows:		
Wholly repayable within five years	<u>69,998</u>	<u>83,727</u>
Obligations under finance leases and hire purchase contracts		
These are repayable over varying periods by monthly instalments as follows:		
In the next year - see note 12	1,860	2,028
In the second to fifth year	2,087	2,058
	<u>3,947</u>	<u>4,086</u>

## MUSICOM LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st August 1995

## 14 Reconciliation of movements in shareholders' funds

	1995 £	1994 £
(Loss)/profit for the financial year	(15,110)	22,864
New share capital subscribed	30,550	-
Net addition to shareholders' funds	15,440	22,864
Opening shareholders' funds	(21,710)	(44,574)
Closing shareholders' funds	(6,270)	(21,710)

## 15 Called up share capital

	1995		1994	
	Number of shares	£	Number of shares	£
Authorized				
Ordinary shares of £1 each	100,000	100,000	5,000	5,000
Allotted called up and fully paid				
Ordinary shares of £1 each	35,550	35,550	5,000	5,000

## 16 Profit and loss account

	1995 £
1st September 1994	(26,710)
Retained loss for the year	(15,110)
31st August 1995	(41,820)