

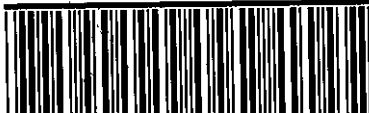
SCV ELECTRONICS LIMITED

Company No. 1993558 (England and Wales)

ABBREVIATED ACCOUNTS

FOR THE 6 MONTHS ENDED

30TH JUNE 1997

		
ED3	*E19Y20QV*	122
COMPANIES HOUSE 30/10/97		
ED2	*EIF3S0QW*	8
COMPANIES HOUSE 30/10/97		
A38	*AV7XF0QE*	57
COMPANIES HOUSE 30/10/97		

Paul Da Costa & Co.
13/17 High Beech Road
Loughton, Essex
IG10 4BN

SCV ELECTRONICS LIMITED

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SCV ELECTRONICS LIMITED

DIRECTORS REPORT FOR THE 6 MONTHS ENDED 30TH JUNE 1997

The directors present their report and the financial statements for the 6 months ended 30th June 1997.

Principal Activities and Review of the Business

The principal activity of the company is the manufacture and distribution of professional audio equipment.

The directors consider that the results of the period were satisfactory, particularly in the light of current trading.

The company has changed its year end date to correspond with that of the holding company SCV International SA.

Results and Dividends

The results for the 6 months are set out on page 4.

The directors have proposed payment of a preference dividend of £6,000 but do not recommend payment of a final ordinary dividend.

It is proposed that the retained profit of £49,859 is transferred to reserves.

Fixed Assets

The significant changes in fixed assets during the period are explained in notes 7 and 8 to the financial statements.

Research and Development

The company incurs ongoing research and development costs in respect of updating existing products and developing new products.

Directors and their Interests

The directors who served during the 6 months and their interests in the company were as stated below.

		Number of shares	
		1997	1996
J. D. Blyth, Esq.	Ordinary shares	10,400	10,400
J. L. Moncel, Esq. (Fr.)	Ordinary shares	-	-
R. Garrido, Esq. (Fr.)	Ordinary shares	-	-
C. Lassiat, Esq. (Fr.)	Ordinary shares	-	-
R. Males, Esq.	Ordinary shares	4,000	4,000

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Paul Da Costa & Co. be reappointed as auditors of the company will be put to the Annual General Meeting.

SCV ELECTRONICS LIMITED

DIRECTORS REPORT FOR THE 6 MONTHS ENDED 30TH JUNE 1997 (continued)

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;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REGISTERED OFFICE :

13/17 High Beech Road
Loughton, Essex
IG10 4BN

By Order of the Board



.....
R. Males, Esq.
Secretary

This report was approved by the Board on 27/10/97..

SCV ELECTRONICS LIMITED

AUDITORS' REPORT TO SCV ELECTRONICS LIMITED
PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 15 together with the financial statements of SCV Electronics Limited prepared under section 226 of the Companies Act 1985 for the 6 months ended 30th June 1997.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the exemptions claimed in the directors' statement on page 6 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

Basis of opinion

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

Opinion

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section B of Part III of Schedule 8 to that Act, in respect of the 6 months ended 30th June 1997, and the abbreviated accounts on pages 5 to 15 have been properly prepared in accordance with that Schedule.

Other information

On 28/10/97, we reported, as auditors of SCV Electronics Limited, to the members on the financial statements prepared under section 226 of the Companies Act 1985 for the 6 months ended 30th June 1997, and our audit report was as follows:

'We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 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.

SCV ELECTRONICS LIMITED

AUDITORS' REPORT TO SCV ELECTRONICS LIMITED

PURSUANT TO PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT 1985 (continued)

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.

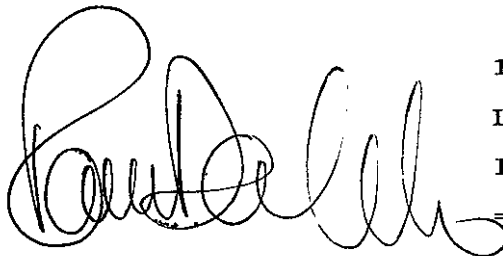
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 30th June 1997 and of its profit for the 6 months then ended and have been properly prepared in accordance with the Companies Act 1985.'

Paul Da Costa & Co.
Accountants and
Registered Auditor

=====



13/17 High Beech Road
Loughton, Essex
IG10 4BN

=====

Date : ..22/10/97

SCV ELECTRONICS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE 6 MONTHS ENDED 30TH JUNE 1997

	Notes	1997 £	1996 £
Gross profit		682,950	1,483,231
Distribution costs		(243,785)	(492,820)
Administrative expenses		(336,587)	(606,804)
Operating profit	2	102,578	383,607
Other interest receivable and similar income	3	676	7,191
Interest payable and similar charges	4	(10,019)	(46,440)
Profit on ordinary activities before taxation		93,235	344,358
Tax on profit on ordinary activities	5	(37,376)	(86,892)
Profit on ordinary activities after taxation		55,859	257,466
Dividends (including those in respect of non-equity shares)	6	(6,000)	(94,646)
Retained profit for the 6 months	13	£ 49,859	£ 162,820

There are no recognised gains and losses other than those passing through the profit and loss account.

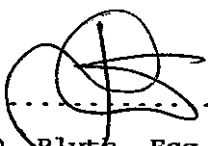
SCV ELECTRONICS LIMITED
ABBREVIATED BALANCE SHEET
AS AT 30TH JUNE 1997

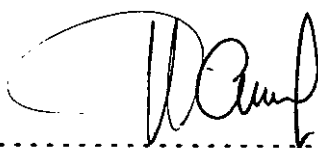
	Notes	1997 £	1996 £
Fixed Assets			
Intangible assets	7	45,170	38,699
Tangible assets	8	304,833	244,521
		<u>350,003</u>	<u>283,220</u>
Current Assets			
Stocks	9	846,656	737,177
Debtors	10	638,627	649,593
Cash at bank and in hand		27,638	306,374
		<u>1,512,921</u>	<u>1,693,144</u>
Creditors: amounts falling due within one year	11	<u>(1,262,577)</u>	<u>(1,435,431)</u>
Net Current Assets		<u>250,344</u>	<u>257,713</u>
Total Assets Less Current Liabilities		<u>600,347</u>	<u>540,933</u>
Creditors: amounts falling due after more than one year		<u>(45,621)</u>	<u>(36,066)</u>
		<u>£ 554,726</u>	<u>£ 504,867</u>
Capital and Reserves			
Called up share capital	12	240,000	240,000
Share premium account		34,154	34,154
Profit and loss account	13	280,572	230,713
Shareholders' Funds	14	<u>554,726</u>	<u>504,867</u>
Equity interests		354,726	304,867
Non-equity interests		200,000	200,000
		<u>£ 554,726</u>	<u>£ 504,867</u>

In preparing these abbreviated accounts:

- (a) Advantage has been taken of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985, and
- (b) In the directors' opinion the company is entitled to these exemptions as a medium company.

The financial statements were approved by the Board on 29/6/97.

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J. D. Blyth, Esq.

.....

C. Lassiat, Esq. (Fr.)

SCV ELECTRONICS LIMITED

CASH FLOW STATEMENT
FOR THE 6 MONTHS ENDED 30TH JUNE 1997

	30.06.1997	31.12.1996
	£	£
Net cash in/outflow from operating activities	(249,723)	308,831
Returns on investments and servicing of finance		
Interest received	676	7,191
Interest paid	(10,019)	(46,440)
Dividends paid	-	(54,447)
	<hr/>	<hr/>
Net cash in/outflow from returns on investments and servicing of finance	(9,343)	(93,696)
Taxation		
Corporation tax paid		
(including advance corporation tax)	(13,612)	(32,097)
	<hr/>	<hr/>
Tax paid	(13,612)	(32,097)
Investing activities		
Payments to acquire intangible assets	(13,953)	(32,364)
Payments to acquire tangible assets	(116,891)	(119,068)
Receipts from sales of tangible assets	8,127	14,588
	<hr/>	<hr/>
Net cash in/outflow from investing activities	(122,717)	(136,844)
	<hr/>	<hr/>
Net cash in/outflow before financing	(395,395)	46,194
Financing		
Repayment of other short term loans	(15,016)	(30,473)
Capital element of hire purchase contracts	33,082	40,115
	<hr/>	<hr/>
Net cash in/outflow from financing	18,066	9,642
	<hr/>	<hr/>
In/Decrease in cash and cash equivalents	£ (377,329)	£ 55,836
	<hr/>	<hr/>

SCV ELECTRONICS LIMITED

**NOTES TO THE CASH FLOW STATEMENT
FOR THE 6 MONTHS ENDED 30TH JUNE 1997**

1	Reconciliation of operating profit to net cash in/outflow from operating activities	30.06.1997 £	31.12.1996 £	
	Operating profit	102,578	383,607	
	Depreciation of tangible assets	46,832	77,195	
	Amortisation of intangible assets	7,482	8,309	
	Loss on disposal of tangible assets	1,621	(408)	
	Increase in stocks	(109,479)	(166,796)	
	Increase in debtors	10,966	(50,395)	
	Decrease in creditors due within one year	(309,723)	57,319	
	Net cash in/outflow from operating activities	£(249,723)	£ 308,831	
2	Analysis of changes in cash and cash equivalents during the 6 months	1997 £	1996 £	
	Balance at 1st January 1997	281,212	225,376	
	Net cash in/outflow	(377,329)	55,836	
	Balance at 30th June 1997	£ (96,117)	£ 281,212	
3	Analysis of the balances of cash and cash equivalents as shown in the balance sheet	1997 £	1996 £	Change in 6 months £
	Cash at bank and in hand	27,638	306,374	(278,736)
	Bank overdrafts	(123,755)	(25,162)	(98,593)
		£ (96,117)	£ 281,212	£(377,329)
4	Analysis of changes in financing during the 6 months	Share capital £	Loans and finance lease obligations £	
	Balance at 1st January 1997	274,154	54,141	
	Cash in/outflow from financing	-	(15,016)	
	Inception of finance lease contracts	-	33,082	
	Balance at 30th June 1997	£ 274,154	£ 72,207	

SCV ELECTRONICS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE 6 MONTHS ENDING 30TH JUNE 1997

1. Accounting Policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and include the results of the company's operations as indicated in the directors' report, all of which are continuing.

1.2 Turnover

Turnover represents amounts receivable for goods and services provided net of VAT and trade discounts.

1.3 Intellectual property

The outstanding lease term with respect to the exclusive rights to use the name L.A. Audio and its designs is written off over the remaining term of the original lease.

1.4 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Improvements to premises	- 25% Straight line
Plant and machinery	- 20% Reducing balance
Fixtures and fittings	- 15% Reducing balance
Office equipment	- 25% Straight line
Motor vehicles	- 25% Reducing balance

1.6 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.7 Stock

Stock is valued at the lower of cost and net realisable value.

SCV ELECTRONICS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE 6 MONTHS ENDED 30TH JUNE 1997

1.8 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the 6 months in accordance with SSAP 24.

1.9 Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the accounting date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2. Operating Profit

1997	1996
£	£

Operating profit is stated after charging:

Depreciation of intangible assets	750	1,500
Research and development		
- amortised deferred expenditure	6,732	6,809
Depreciation of tangible assets	46,832	77,193
Auditors' remuneration	5,500	8,000

3. Other Interest Receivable and Similar Income

1997	1996
£	£

Bank interest received	676	7,191
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SCV ELECTRONICS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE 6 MONTHS ENDED 30TH JUNE 1997

4.	Interest Payable	1997	1996
		£	£
	On bank loans and overdrafts	862	529
	On other loans wholly repayable within 5 years	-	425
	Hire purchase interest	3,353	5,204
	Other interest	5,804	40,282
		<u>£ 10,019</u>	<u>£ 46,440</u>
5.	Taxation	1997	1996
		£	£
	U.K. Current year taxation		
	U.K. Corporation tax at 24% / 23%	26,764	86,892
	Prior years		
	U.K. Corporation tax	10,612	-
		<u>£ 37,376</u>	<u>£ 86,892</u>
6.	Dividends	1997	1996
		£	£
	Dividends on equity shares:		
	Ordinary final proposed	-	82,646
		<u></u>	<u></u>
	Dividends on non-equity shares:		
	Preference final proposed	6,000	12,000
		<u></u>	<u></u>

SCV ELECTRONICS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE 6 MONTHS ENDED 30TH JUNE 1997

7. Intangible Fixed Assets

	Intellectual Property	Development Costs	Total
	£	£	£
Cost			
At 1st January 1997	4,500	48,287	52,787
Additions	-	13,953	13,953
	<hr/>	<hr/>	<hr/>
At 30th June 1997	4,500	62,240	66,740
	<hr/>	<hr/>	<hr/>
Provision for diminution in value			
At 1st January 1997	1,500	12,588	14,088
Charge for 6 months	750	6,732	7,482
	<hr/>	<hr/>	<hr/>
At 30th June 1997	2,250	19,320	21,570
	<hr/>	<hr/>	<hr/>
Net book value			
At 30th June 1997	£ 2,250	£ 42,920	£ 45,170
	<hr/>	<hr/>	<hr/>
At 31st December 1996	£ 3,000	£ 35,699	£ 38,699
	<hr/>	<hr/>	<hr/>

SCV ELECTRONICS LIMITED

**NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE 6 MONTHS ENDED 30TH JUNE 1997**

8. Tangible Assets

	Improvements to premises	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1st January 1997	108,492	42,332	146,087	98,230	395,141
Additions	23,290	8,931	27,368	57,302	116,891
Disposals	-	-	-	(15,500)	(15,500)
At 30th June 1997	131,783	51,263	173,455	140,032	496,533
Depreciation					
At 1st January 1997	52,516	16,372	54,819	26,913	150,620
On disposals	-	-	-	(5,752)	(5,752)
Charge for 6 months	16,325	2,987	15,790	11,730	46,832
At 30th June 1997	68,841	19,359	70,609	32,891	191,700
Net book values					
At 30th June 1997	£ 62,942	£ 31,904	£ 102,846	£ 107,141	£ 304,833
At 31st December 1996	£ 55,976	£ 25,960	£ 91,268	£ 71,317	£ 244,521

Included above are assets held under finance leases or hire purchase contracts as follows:

	Net book value £	Depreciation charge £
Motor vehicles	89,994	8,857

9. Stocks

	1997 £	1996 £
Components and finished goods	£ 846,656	£ 737,177

SCV ELECTRONICS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE 6 MONTHS ENDED 30TH JUNE 1997

10. Debtors	1997	1996
	£	£
Trade debtors	558,865	562,821
ACT recoverable	-	13,612
Other debtors	21,616	30,824
Prepayments and accrued income	58,146	42,336
	<hr/>	<hr/>
	£ 638,627	£ 649,593
	<hr/>	<hr/>
 11. Creditors: amounts falling due within one year	 1997	 1996
	£	£
Bank loans and overdrafts	123,755	25,162
Net obligations under finance lease and hire purchase contracts	26,586	18,075
Trade creditors	432,628	650,893
Corporation tax	110,656	86,892
Other taxes and social security costs	17,297	53,595
Directors' current accounts	7,935	45,530
Royalty and commissions	11,107	8,223
Inter company account	294,272	349,260
Other creditors	117,969	62,867
Accruals and deferred income	37,726	52,288
Proposed dividend	82,646	82,646
	<hr/>	<hr/>
	£ 1,262,577	£ 1,435,431
	<hr/>	<hr/>

The bank loans and overdraft are secured by a debenture over the assets of the company.

12. Share Capital	1997	1996
	£	£
Authorised		
40,000 Ordinary shares of £1 each	40,000	40,000
200,000 6% Preference shares of £1 each	200,000	200,000
	<hr/>	<hr/>
	£ 240,000	£ 240,000
	<hr/>	<hr/>
 Allotted, called up and fully paid		
40,000 Ordinary shares of £1 each	40,000	40,000
200,000 6% Preference shares of £1 each	200,000	200,000
	<hr/>	<hr/>
	£ 240,000	£ 240,000
	<hr/>	<hr/>

SCV ELECTRONICS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE 6 MONTHS ENDED 30TH JUNE 1997

13.	Profit And Loss Account	1997 £	1996 £
	Retained profits at 1st January 1997	230,713	67,893
	Retained profit for the 6 months	49,859	162,820
	Retained profits at 30th June 1997	<u>£ 280,572</u>	<u>£ 230,713</u>
14.	Reconciliation of Movements in Shareholders' Funds	1997 £	1996 £
	Profit for the financial 6 months	55,859	257,466
	Dividends	(6,000)	(94,646)
	Net addition to shareholders' funds	49,859	162,820
	Opening shareholders' funds	504,867	342,047
	Closing shareholders' funds	<u>£ 554,726</u>	<u>£ 504,867</u>
15.	Directors' Emoluments	1997 £	1996 £
	Remuneration	<u>£ 40,366</u>	<u>£ 84,552</u>

SCV ELECTRONICS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE 6 MONTHS ENDED 30TH JUNE 1997

16. **Employees**

Number of employees

The average weekly number of employees (including directors) during the 6 months was:

	1997 Number	1996 Number
Office and management	5	5
Production and sales	15	13
Research and development	5	2
	<hr/> 25	<hr/> 20
	<hr/>	<hr/>

Employment costs

	£	£
Directors remuneration	37,634	74,554
Manufacturing	58,844	108,950
Research and development	35,606	39,979
Selling and marketing	40,756	85,309
Salaries and national insurance	62,408	116,184
Other pension costs	2,732	9,998
	<hr/> £ 237,980	<hr/> £ 434,974
	<hr/>	<hr/>

17. **Subsidiary Undertaking**

During the period SCV America Inc, a company incorporated in U.S.A, was acquired. It is the opinion of the directors that group accounts should not be prepared due to the exceptions provided under S229 C.A 1985.

18. **Ultimate Parent Company**

The ultimate parent company is SCV International SA, a company registered in France.