



FFRR MUSIC LIMITED

**REPORT & ACCOUNTS
31 DECEMBER 1996**





FFRR MUSIC LIMITED

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 1996.

Results and Dividends

The results for the year are set out on page 4. The directors do not recommend the payment of a dividend (1995: Nil)

Review of the business

The company's principal activity during the year was in the acquisition and commercial exploitation of the copyright in musical compositions. The company continued to make substantial investment in composers.

Directors and their interests

The directors during the year were:

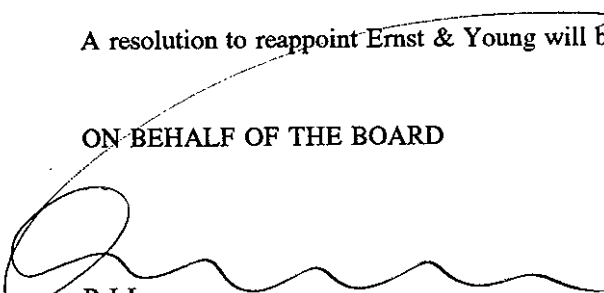
R.Ames
T.M.Bennett
P.J.Lower
I.J.Surry
J.V.Watson

At no time during the year ended 31 December 1996 did any director have any interest in the shares of the company as is required by Section 234 of the Companies Act 1985 to be notified to the company.

Auditors

A resolution to reappoint Ernst & Young will be put to the members at the Annual General Meeting.

ON BEHALF OF THE BOARD



P.J.Lower
Director

9 September 1997



FFRR MUSIC LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of FFRR Music Limited

We have audited the accounts on pages 4 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

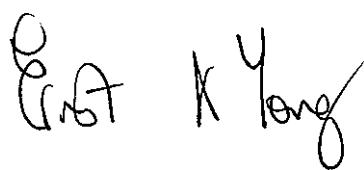
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young
Chartered Accountants
Registered Auditor
London

15th September 1997



FFRR MUSIC LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

| | Note | <u>1996</u> £000 | <u>1995</u> £000 |
|---|------|---------------------|---------------------|
| Turnover | 3 | 430 | 428 |
| Cost of Sales | | (491) | (339) |
| Gross (loss)/profit | | <u>(61)</u> | <u>89</u> |
| Administrative Expenses | | <u>(155)</u> | <u>(159)</u> |
| Loss on ordinary activities before taxation | 4 | (216) | (70) |
| Tax on loss on ordinary activities | 5 | 66 | 18 |
| Retained loss for the financial year | | <u>(150)</u> | <u>(52)</u> |
| Retained loss at beginning of year | 13 | <u>(187)</u> | <u>(135)</u> |
| Retained loss at end of year | 13 | <u><u>(337)</u></u> | <u><u>(187)</u></u> |

No gains or losses have arisen other than those recognised in the profit and loss account.

The notes to the accounts are on pages 6 to 10



FFRR MUSIC LIMITED

BALANCE SHEET AT 31 DECEMBER 1996

| | Note | <u>1996</u> £000 | <u>1995</u> £000 |
|--|-------|---------------------|---------------------|
| Fixed assets: | | | |
| Tangible assets | 7 | - | 3 |
| Current assets: | | | |
| Debtors | 8 | 566 | 526 |
| | | 566 | 526 |
| Creditors: | | | |
| Amounts falling due within one year | 9 | (72) | (146) |
| Net current assets | | 494 | 380 |
| Total assets less current liabilities | | 494 | 383 |
| Creditors: | | | |
| Amounts falling due after more than one year | 10 | (706) | (445) |
| | | (212) | (62) |
| Capital and reserves: | | | |
| Called up share capital | 12,13 | 125 | 125 |
| Profit and loss account | 13 | (337) | (187) |
| | | (212) | (62) |


P.J. Lower
Director

9 September 1997

The notes to the accounts are on pages 6 to 10



FFRR MUSIC LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1996

1. Parent undertaking

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is Divinestate Limited, registered in England. Copies of Divinestate Limited's accounts can be obtained from 72 Chancellors Road, London W6 9SG.

2. Accounting policies

These accounts are prepared under the historical cost convention and on a going concern basis and in accordance with applicable accounting standards.

Statement of Cashflows

The company is taking advantage of the exemption in Financial Reporting Standard No. 1, that a small company, as defined by section 247 of the Companies Act 1985, does not have to present a Statement of Cashflows.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

| | | |
|----------------|-----|---------------------|
| Motor vehicles | 25% | straight line basis |
|----------------|-----|---------------------|

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the market rate ruling at that 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 in line with Statement of Standard Accounting Practice No.20.

Royalties and advances

Royalties are accounted as and when earnings are notified.

Advances to artists are written down to the estimated amount that will be recovered from sub licence advances received and royalty receipts.

Deferred taxation

Deferred taxation is provided by the liability method on all timing differences which are expected to reverse in the foreseeable future, calculated at the current corporation tax rate.



FFRR MUSIC LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1996

3. Turnover

Turnover represents royalties received stated net of VAT. The geographical areas to which the turnover relates are as follows:

| | <u>1996</u> £000 | <u>1995</u> £000 |
|--------------------------|---------------------|---------------------|
| United Kingdom | 234 | 266 |
| Europe | 132 | 94 |
| United States of America | 34 | 29 |
| Other | 30 | 39 |
| | <u>430</u> | <u>428</u> |

4. Loss on ordinary activities before taxation

| | <u>1996</u> £000 | <u>1995</u> £000 |
|--|---------------------|---------------------|
| This is after charging: | | |
| Auditors remuneration : audit services | 2 | 2 |
| Depreciation | 3 | 4 |

All directors of the company except Mr Surry are also directors of FFRR Records Ltd. These directors received total remuneration for the year of £609,373 (1995: £876,762), which was paid by FFRR Records Ltd or its parent undertaking. The directors do not believe it is practicable to apportion this amount between their services as directors of the company and their services as directors of FFRR Records Ltd.

The only director who received remuneration was Mr. Surry. His emoluments (excluding pension contributions) were £77,269 (1995: £68,465).

5. Tax on loss on ordinary activities

| | <u>1996</u> £000 | <u>1995</u> £000 |
|-------------------------------|---------------------|---------------------|
| Current year: | | |
| Group relief payments | (66) | (17) |
| Over provision in prior years | - | (1) |
| | <u>(66)</u> | <u>(18)</u> |



FFRR MUSIC LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1996

6. Staff Costs

The average number of employees during the year was 3 (1995: 2). The staff costs were:

| | <u>1996</u> £000 | <u>1995</u> £000 |
|-----------------------|---------------------|---------------------|
| Wages and salaries | 99 | 71 |
| Social security costs | 9 | 7 |
| Other pension costs | - | - |
| | <u>108</u> | <u>78</u> |

7. Tangible Fixed Assets

| | <u>Motor Vehicles</u> £000 | <u>Total 1996</u> £000 |
|--------------------------|-----------------------------------|-------------------------------|
| Cost: | | |
| At 1 January 1996 | 7 | 7 |
| Additions | - | - |
| Disposals | - | - |
| At 31 December 1996 | <u>7</u> | <u>7</u> |
| Depreciation: | | |
| At 1 January 1996 | 4 | 4 |
| Provided during the year | 3 | 3 |
| Disposals | - | - |
| At 31 December 1996 | <u>7</u> | <u>7</u> |
| Net book value: | | |
| At 1 January 1996 | <u>3</u> | <u>3</u> |
| At 31 December 1996 | <u>-</u> | <u>-</u> |



FFRR MUSIC LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1996

8. Debtors

| | <u>1996</u> £000 | <u>1995</u> £000 |
|--------------------------------|---------------------|---------------------|
| Trade debtors | 94 | 102 |
| Other debtors | 285 | 303 |
| Loan to affiliated undertaking | 187 | 121 |
| | <u>566</u> | <u>526</u> |

9. Creditors: amounts falling due within one year

| | <u>1996</u> £000 | <u>1995</u> £000 |
|----------------------------------|---------------------|---------------------|
| Trade Creditors | 36 | 103 |
| Other Creditors | 36 | 5 |
| Current corporation tax | - | - |
| Loan from affiliated undertaking | - | 38 |
| | <u>72</u> | <u>146</u> |

10. Creditors: amounts falling due after more than one year

| | <u>1996</u> £000 | <u>1995</u> £000 |
|----------------------------------|---------------------|---------------------|
| Loan from affiliated undertaking | 706 | 445 |

11. Deferred taxation

No provision is required for 1996 (1995: Nil)

| | <u>1996</u> £000 | <u>1995</u> £000 |
|---|---------------------|---------------------|
| Not provided | | |
| Other timing differences which should provide future tax relief | 7 | 2 |



FFRR MUSIC LIMITED

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1996

12. Share capital

| | Authorised | | Allotted, Issued & Fully Paid | |
|----------------------------|------------------|------------------|----------------------------------|------------------|
| | <u>1996</u> £ | <u>1995</u> £ | <u>1996</u> £ | <u>1995</u> £ |
| Ordinary shares of £1 each | 126,000 | 126,000 | 125,100 | 125,100 |

13. Reconciliation of shareholders' funds and movement on reserves

| | <u>Share Capital (note 12)</u> £000 | <u>Profit & Loss</u> £000 | <u>Total</u> £000 |
|---------------------|--|--------------------------------------|----------------------|
| At 1 January 1995 | 125 | (135) | (10) |
| Loss for the year | - | (52) | (52) |
| At 31 December 1995 | 125 | (187) | (62) |
| Loss for the year | - | (150) | (150) |
| At 31 December 1996 | 125 | (337) | (212) |