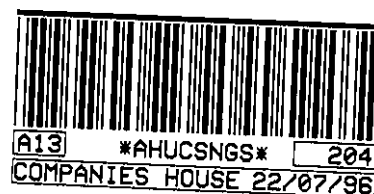


Sound Mastering Limited
Unaudited Report and Accounts
31 March 1996



MARTIN GREENE RAVDEN
Chartered Accountants
55 Loudoun Road
St John's Wood
London NW8 0DL

Company No. 2579463

Sound Mastering Limited

UNAUDITED REPORT AND ACCOUNTS **For the year ended 31 March 1996**

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Sound Mastering Limited

COMPANY INFORMATION

Directors	T A J Churchill D J P Carroll R C Armstrong K A Skeaping D C Cowell
Secretary	T A J Churchill
Business address	46 Steele Road London NW10 7AS
Registered office	48-50 Steele Road London NW10 7AS
Reporting Accountants	Martin Greene Ravden Chartered Accountants 55 Loudoun Road St John's Wood London NW8 0DL
Principal bankers	National Westminster Bank plc 106 Finchley Road London NW3 5JN

Sound Mastering Limited

DIRECTORS' REPORT

For the year ended 31 March 1996

The directors present their report and the accounts for the year ended 31 March 1996.

Principal activity

The principal activity of the company is that of a post-production recording studio.

Directors and their interests

The directors who held office during the year and their beneficial interests in the company's share capital were as follows:

	Number of £1 Ordinary Shares at	
	1 April 1995	31 March 1996
T A J Churchill	18	18
D J P Carroll	18	18
R C Armstrong	18	18
K A Skeaping	24	24
D C Cowell	8	8

Close company status

The company is not a close company as defined by the Income and Corporation Taxes Act 1988.

The directors have taken advantage of the special exemptions applicable to small companies conferred by Part II of Schedule 8 to the Companies Act 1985 in the preparation of the directors' report.

By order of the Board



T A J Churchill
Secretary

26 June 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES in relation to the accounts

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the company's state of affairs at the end of the year and of the profit or loss 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;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the 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.

Sound Mastering Limited

ACCOUNTANTS' REPORT

to the shareholders on the unaudited accounts of Sound Mastering Limited

We report on the accounts for the year ended 31 March 1996 set out on pages 5 to 12.

Respective responsibilities of directors and reporting accountants

As described on page 7, the company's directors are responsible for the preparation of the accounts, 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 accounts 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 accounts 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 accounts 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 accounts 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).

MARTIN GREENE RAVDEN

Reporting Accountants

55 Loudoun Road
St John's Wood
London NW8 0DL



26 June 1996

Sound Mastering Limited

PROFIT AND LOSS ACCOUNT For the year ended 31 March 1996

	Notes	1996 £	1995 £
Turnover		238,594	195,322
Cost of sales		(49,547)	(38,720)
Gross profit		189,047	156,602
Administrative expenses		(144,417)	(130,351)
Operating profit	2	44,630	26,251
Interest payable		(3,946)	(4,091)
Profit on ordinary activities before taxation		40,684	22,160
Taxation		(14,000)	(7,633)
Profit for the financial year	11	26,684	14,527
Retained profit brought forward		12,095	(2,432)
Retained profit carried forward		38,779	12,095

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

Sound Mastering Limited

BALANCE SHEET at 31 March 1996

		1996		1995	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	4		91,306		106,184
Current assets					
Stocks	5	2,011		1,483	
Debtors	6	46,653		33,120	
Cash at bank and in hand		200		200	
		<u>48,864</u>		<u>34,803</u>	
Creditors due within one year					
Trade and other creditors	7	25,546		34,736	
Short term borrowings	9	35,296		30,429	
		<u>60,842</u>		<u>65,165</u>	
Net current liabilities			(11,978)		(30,362)
Total assets less current liabilities			79,328		75,822
Creditors due after one year					
Other creditors	8	24,917		41,900	
Loans and other borrowings	9	15,522		21,717	
		<u></u>	40,439	<u></u>	63,617
Net assets			<u>38,889</u>		<u>12,205</u>
Capital and reserves					
Called up share capital	10		110		110
Profit and loss account	11		38,779		12,095
Shareholders' funds			<u>38,889</u>		<u>12,205</u>

The Directors' Statement on page 7 forms part of the Balance Sheet.

Sound Mastering Limited

BALANCE SHEET (CONTINUED) at 31 March 1996

The directors have taken advantage of

- *the special exemptions applicable to small companies conferred by Part I of Schedule 8 to the Companies Act 1985 in the preparation of the accounts and have done so on the grounds that, in their opinion, the company is entitled to those exemptions as a small company; and*
- *the exemption conferred by section 249A(2) not to have these accounts audited and confirm that no notice has been deposited under section 249B(2) of the Companies Act 1985.*

The directors acknowledge their responsibility for ensuring that

- *the company keeps accounting records which comply with section 221 of the Companies Act 1985, and*
- *the accounts give a true and fair view of the state of the company's affairs at 31 March 1996 and of its profit for the year then ended in accordance with the requirements of Section 226, and which otherwise comply with the requirements of the Companies Act 1985 relating to accounts, so far as applicable to the company.*

The accounts were approved by the Board
on 26 June 1996 and signed on its behalf by

T. A. Churchill

T A J Churchill - Director

Sound Mastering Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 1996

1. ACCOUNTING POLICIES

1.1 Basis of accounting

The accounts are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Turnover

Turnover represents the invoiced value of services supplied by the company net of value added tax.

1.3 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 of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Studio equipment	20%	straight line
Studio installation and sound proofing	15%	straight line

1.4 Leasing

Rentals payable under operating leases are charged to the profit and loss account as incurred.

1.5 Stocks

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

1.6 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences arising in the normal course of trade are included in the profit and loss account.

1.7 Deferred taxation

Provision is made under the liability method for taxation deferred by capital allowances and other material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that such a liability will not arise in the foreseeable future.

Sound Mastering Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 1996

2. OPERATING PROFIT

	1996 £	1995 £
The operating profit is stated after charging:		
Depreciation of tangible fixed assets	39,291	33,798
Loss on disposal of fixed assets	1,971	453
Hire of equipment	6,082	6,720
Operating lease rentals		
Property rents	10,000	10,000
	<u> </u>	<u> </u>

3. DIRECTORS' EMOLUMENTS

	1996 £	1995 £
Management remuneration (including pension contributions)	43,692	53,096
	<u> </u>	<u> </u>

4. TANGIBLE FIXED ASSETS

	Plant and machinery etc £
Cost	
At 1 April 1995	199,941
Additions	26,384
Disposals	(3,695)
	<u> </u>
At 31 March 1996	222,630
	<u> </u>
Depreciation	
At 1 April 1995	93,757
Charge for the year	39,291
Disposals	(1,724)
	<u> </u>
At 31 March 1996	131,324
	<u> </u>
Net book value	
At 31 March 1996	91,306
	<u> </u>
At 31 March 1995	106,184
	<u> </u>

Sound Mastering Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 1996

5.	STOCKS	1996 £	1995 £
	Raw materials	2,011	1,483
		<u>2,011</u>	<u>1,483</u>
6.	DEBTORS	1996 £	1995 £
	Due within one year		
	Trade debtors	22,569	31,128
	Other debtors	24,084	1,992
		<u>46,653</u>	<u>33,120</u>
		<u>46,653</u>	<u>33,120</u>
7.	CREDITORS	1996 £	1995 £
	Due within one year		
	Trade creditors	2,797	3,654
	Other creditors	22,749	31,082
		<u>25,546</u>	<u>34,736</u>
		<u>25,546</u>	<u>34,736</u>
8.	CREDITORS	1996 £	1995 £
	Due after one year		
	Other creditors	24,917	41,900
		<u>24,917</u>	<u>41,900</u>
		<u>24,917</u>	<u>41,900</u>

Sound Mastering Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 1996

9. BORROWINGS

	Due within one year		Due after one year	
	1996	1995	1996	1995
	£	£	£	£
Secured				
Bank loan and overdraft	35,296	30,429	15,522	21,717

	Bank loan and overdraft	
	1996	1995
	£	£
Repayments fall due:		
Within one year or on demand	35,296	30,429
Between one and two years	5,960	5,960
Between two and five years	9,562	15,757
	<u>50,818</u>	<u>52,146</u>

10. CALLED UP SHARE CAPITAL

	1996	1995
	£	£
Authorised		
1000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid		
110 Ordinary shares of £1 each	110	110

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996	1995
	£	£
Retained profit for the year	26,684	14,527
New share capital subscribed	-	30
Net addition to shareholders' funds	26,684	14,557
Opening shareholders' funds/(deficit)	12,205	(2,352)
Closing shareholders' funds	<u>38,889</u>	<u>12,205</u>

Sound Mastering Limited

NOTES TO THE ACCOUNTS

For the year ended 31 March 1996

12. COMMITMENTS UNDER OPERATING LEASES

At 31 March 1996, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1996	1995	1996	1995
	£	£	£	£
On leases expiring:				
Within one year	-	-	2,892	5,281
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
After five years	10,000	10,000	-	-
	<u>10,000</u>	<u>10,000</u>	<u>2,892</u>	<u>5,281</u>

13. CAPITAL COMMITMENTS

	1996	1995
	£	£
Capital expenditure		
Authorised but not contracted for	<u>11,845</u>	<u>-</u>

14. TRANSACTIONS WITH DIRECTORS

Mr T A J Churchill, Mr R C Armstrong and Mr D J P Carroll are directors and major shareholders of Ace Records Limited.

During the year the following transactions were entered into with the company on normal commercial terms:-

a) Sales totalling £99,668 (1995 - £87,074) were made. At 31 March 1996, the balance due in respect of the trade debt was £24,350 (1995 - £25,740).

b) Goods were purchased to a value of £9,645 (1995 - £21,110). At 31 March 1996, the balance owed in respect of the trade creditor was £940 (1995 - £124).

c) The company paid rent of £10,000 (1995 - £10,000) in respect of the occupancy of its business premises.

d) Management fees of £800 (1995 - £2,600) were paid.