

**Musicstyling.com Limited**

**Directors' report and financial  
statements**

**Registered number 05099635**

**31 December 2006**

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## **Company information**

|                          |   |
|--------------------------|---|
| <b>Director</b>          | M Clark<br>M Barrott<br>KLT Pratt   |
| <b>Secretary</b>         | KLT Pratt   |
| <b>Registered office</b> | Venture Way<br>Dunston Technology Park<br>Chesterfield<br>Derbyshire<br>S41 8NE |
| <b>Registered number</b> | 05099635  |
| <b>Auditors</b>          | KPMG Audit Plc<br>St Nicholas House<br>Park Row<br>Nottingham<br>NG1 6FQ        |

## **Directors' report**

The directors present their annual report and the financial statements for the year ended 31 December 2006

### **Change of accounting date**

During the period the company has changed its accounting date to 31 December to align it with its parent undertaking

### **Principal activity and business review**

The principal activity of the company during the period was that of hardware and software consultancy and other computer related services

On 10 May 2006, the entire share capital was acquired by Imagesound plc from Mr M Barrott

### **Results and dividends**

The results for the period are shown in the attached profit and loss account. A dividend was paid in the period of £nil (31 Mar 06 £126,000)

### **Directors**

The following directors served during the period and up to the date of this report

|            |                         |
|------------|-------------------------|
| M Barrott  |                         |
| WE Barrott | - resigned 10 May 2006  |
| M Clark    | - appointed 10 May 2006 |
| KLT Pratt  | - appointed 10 May 2006 |

### **Directors' share interests**

The directors had no beneficial interests in the shares of the company at the balance sheet date. Details of the interests of the directors in the shares of the ultimate holding company, Imagesound plc, are disclosed in the financial statements of that company

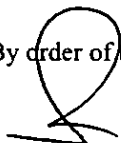
### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### **Auditors**

Brighton Jeffrey James Limited resigned as accountants during the period and KPMG Audit Plc were appointed as auditors in their place. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board



**KLT Pratt**  
*Company Secretary*

11 April 2007

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.



## KPMG Audit Plc

St Nicholas House  
Park Row  
Nottingham NG1 6FQ  
United Kingdom

### Report of the independent auditors to the members of Musicstyling.com Limited

We have audited the financial statements of Musicstyling.com Limited for the nine month period ended 31 December 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Chartered Accountants  
Registered Auditor

11 April 2007

**Profit and loss account**  
*for the period ended 31 December 2006*

|   | <i>Note</i> | <b>9 months to<br/>31 Dec 06</b> | <b>Year to<br/>31 Mar 06<br/>As restated</b> |
|---|-------------|----------------------------------|--|
|   |             | <b>£000</b>                      | <b>£000</b>                                  |
| <b>Turnover</b>   | <b>2</b>    | <b>534</b>                       | <b>433</b>                                   |
| Cost of sales   |             | <b>(213)</b>                     | <b>(76)</b>                                  |
| <b>Gross profit</b>   |             | <b>321</b>                       | <b>357</b>                                   |
| Administrative expenses   |             | <b>(340)</b>                     | <b>(279)</b>                                 |
| <b>Operating (loss)/profit</b>  |             | <b>(19)</b>                      | <b>78</b>                                    |
| Interest receivable and similar income  | <b>3</b>    | <b>1</b>                         | <b>2</b>                                     |
| Interest payable and similar charges  | <b>4</b>    | <b>(1)</b>                       | <b>-</b>                                     |
| <b>(Loss)/profit on ordinary activities before taxation</b>                                 | <b>5</b>    | <b>(19)</b>                      | <b>80</b>                                    |
| Tax on (loss)/profit on ordinary activities   | <b>6</b>    | <b>43</b>                        | <b>(27)</b>                                  |
| <b>Profit on ordinary activities after taxation and<br/>profit for the financial period</b> | <b>14</b>   | <b>24</b>                        | <b>53</b>                                    |

In both the current period and preceding year, the company made no material acquisitions and had no discontinued operations

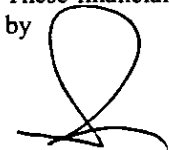
**Statement of total recognised gains and losses**  
*for the period ended 31 December 2006*

|   | <i>Note</i> | <b>9 months to<br/>31 Dec 06</b> | <b>Year to<br/>31 Mar 06<br/>As restated</b> |
|---|-------------|----------------------------------|--|
|   |             | <b>£000</b>                      | <b>£000</b>                                  |
| Profit for the financial period                                       |             | <b>24</b>                        | <b>53</b>                                    |
| Prior year adjustment   | <b>1</b>    | <b>(90)</b>                      | <b>-</b>                                     |
| <b>Total recognised gains and losses since the last annual report</b> |             | <b>(66)</b>                      | <b>-</b>                                     |

**Balance sheet**  
*as at 31 December 2006*

|   | <i>Note</i> | <b>31 Dec 06</b> |              | <b>31 Mar 06</b><br>As restated |              |
|---|-------------|------------------|--------------|---------------------------------|--------------|
|   |             | <b>£000</b>      | <b>£000</b>  | <b>£000</b>                     | <b>£000</b>  |
| <b>Fixed assets</b>                                   |             |                  |              |                                 |              |
| Tangible assets                                       | 9           |                  | 172          |                                 | 3            |
| <b>Current assets</b>                                 |             |                  |              |                                 |              |
| Stocks  | 10          | 5                |              | -                               |              |
| Debtors   | 11          | 310              |              | 106                             |              |
| Cash at bank and in hand                              |             | 19               |              | 45                              |              |
|   |             | <u>334</u>       |              | <u>151</u>                      |              |
| <b>Creditors: amounts falling due within one year</b> | 12          | <u>(632)</u>     |              | <u>(304)</u>                    |              |
| <b>Net current liabilities</b>                        |             |                  | <u>(298)</u> |                                 | <u>(153)</u> |
| <b>Net liabilities</b>                                |             |                  | <u>(126)</u> |                                 | <u>(150)</u> |
| <b>Capital and reserves</b>                           |             |                  |              |                                 |              |
| Called up share capital                               | 13          | -                |              | -                               |              |
| Profit and loss account                               | 14          | (126)            |              | (150)                           |              |
| <b>Equity shareholders' deficit</b>                   | 15          | <u>(126)</u>     |              | <u>(150)</u>                    |              |

These financial statements were approved by the board of directors on 11 April 2007 and were signed on its behalf by



**KLT Pratt**  
*Director*



## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

In these financial statements the following new standards have been adopted for the first time

- FRS 21 'Events after the balance sheet date',
- the presentation requirements of FRS 25 'Financial instruments presentation and disclosure', and
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985

The corresponding amounts in these financial statements are restated in accordance with the new policies

FRS 21 'Events after the balance sheet date' has had no material effect on either the current or prior period as no final dividends have been declared in respect of ordinary shares in either year

#### ***Basis of preparation***

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

#### ***Going concern***

The financial statements have been prepared on the going concern basis, notwithstanding the net liabilities of £126,000, which the directors believe to be appropriate for the following reason. The company is dependent for its working capital on funds provided to it by Imagesound plc. Imagesound plc has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as the company is forecasting will be required and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

#### ***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 over its expected useful life, as follows

Plant and machinery      15-50% straight line

#### ***Cash flow statement***

The company is exempt from the requirement of Financial Reporting Standard Number 1 to prepare a cash flow statement on the grounds of its size

#### ***Taxation***

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

## Notes (continued)

### 1 Accounting policies (continued)

#### *Foreign exchange*

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction

Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date

#### *Dividends on shares presented within shareholders' funds*

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

### 2 Turnover

Turnover, which excludes value added tax and discounts, represents the goods and services sold, and arose in the UK. For services, turnover is recognised over the performance period that the services provided relate to

The accounting policy for revenue recognition has been changed following the acquisition of Imagesound plc such that turnover for services is recognised over the performance period. The previous policy was to recognise turnover immediately on invoicing these services. The effect of the prior year adjustment has been to decrease profit after taxation for the year ended 31 March 2006 by £90,000 and increase accruals by £203,000 at 31 March 2006. The effect on the result for the period ended 31 December 2006 is to decrease profit after taxation by £122,000

### 3 Interest receivable and similar income

|                          | 9 months to<br>31 Dec 06<br>£000 | Year to<br>31 Mar 06<br>£000 |
|--------------------------|----------------------------------|------------------------------|
| Bank interest receivable | 1                                | 2                            |

### 4 Interest payable and similar charges

|                       | 9 months to<br>31 Dec 06<br>£000 | Year to<br>31 Mar 06<br>£000 |
|-----------------------|----------------------------------|------------------------------|
| Bank interest payable | 1                                | -                            |

### 5 (Loss)/profit on ordinary activities before taxation

|   | 9 months to<br>31 Dec 06<br>£000 | Year to<br>31 Mar 06<br>£000 |
|---|----------------------------------|------------------------------|
| (Loss)/profit on ordinary activities before taxation is stated after charging |                                  |                              |
| Depreciation of fixed assets  | 28                               | 1                            |
| Auditors' remuneration  | 2                                | 1                            |

## Notes (continued)

### 6 Taxation

|                                    | 9 months to<br>31 Dec 06<br>£000 | Year to<br>31 Mar 06<br>£000 |
|------------------------------------|----------------------------------|------------------------------|
| <i>Current tax credit/(charge)</i> |                                  |                              |
| UK corporation tax                 | -                                | (27)                         |
| Adjustment for prior year          | 29                               | -                            |
|                                    | <hr/>                            | <hr/>                        |
| Total current tax credit/(charge)  | 29                               | (27)                         |
| Deferred tax credit                | 14                               | -                            |
|                                    | <hr/>                            | <hr/>                        |
| Total tax credit/(charge)          | 43                               | (27)                         |
|                                    | <hr/>                            | <hr/>                        |

The tax (credit)/charge for the period is higher (31 Mar 06 higher) than the standard rate of corporation tax in the UK of 30% (31 Mar 06 small companies rate of 19%)

|   | 9 months to<br>31 Dec 06<br>£000 | Year to<br>31 Mar 06<br>As restated<br>£000 |
|---|----------------------------------|---|
| (Loss)/profit on ordinary activities before tax   | (19)                             | 78  |
|   | <hr/>                            | <hr/>                                       |
| (Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK | (6)                              | 14  |
| <i>Effects of</i>   |                                  |   |
| Change in policy for income recognition   | -                                | 12  |
| Capital allowances in excess of depreciation  | (4)                              | -   |
| Short-term timing differences   | 9                                | -   |
| Amounts not deductible for tax  | 1                                | 1   |
| Losses carried back   | (29)                             | -   |
|   | <hr/>                            | <hr/>                                       |
| Total current tax (credit)/charge   | (29)                             | 27  |
|   | <hr/>                            | <hr/>                                       |

### 7 Directors and employees

#### Directors

Directors' emoluments amounted to £33,000 (31 Mar 06 £5,000)

There were no directors (31 Mar 06 nil) in respect of whom pension benefits accrued during the period under money purchase schemes

## Notes (continued)

### 7 Directors and employees (continued)

#### Employees

*The average number of persons employed by the company, including directors, during the period is analysed below*  
Management and administration

|  | 9 months to<br>31 Dec 06<br>Number | Year to<br>31 Mar 06<br>Number |
|--|------------------------------------|--------------------------------|
|  | 7                                  | 2                              |
|  | <hr/>                              | <hr/>                          |
|  | £000                               | £000                           |
| Staff costs (for the above persons) were |                                    |                                |
| Wages and salaries                       | 165                                | 5                              |
| Social security costs                    | 14                                 | -                              |
|  | <hr/>                              | <hr/>                          |
|  | 179                                | 5                              |
|  | <hr/>                              | <hr/>                          |

### 8 Dividends paid

|                | 9 months to<br>31 Dec 06<br>£000 | Year to<br>31 Mar 06<br>£000 |
|----------------|----------------------------------|------------------------------|
| Dividends paid | -                                | 126                          |
|                | <hr/>                            | <hr/>                        |

### 9 Tangible fixed assets

|                                 | Plant and<br>machinery<br>£000 |
|---------------------------------|--------------------------------|
| <i>Cost</i>                     |                                |
| At 1 April 2006                 | 5                              |
| Additions                       | 197                            |
|                                 | <hr/>                          |
| At 31 December 2006             | 202                            |
|                                 | <hr/>                          |
| <i>Accumulated depreciation</i> |                                |
| At 1 April 2006                 | 2                              |
| Charge for the period           | 28                             |
|                                 | <hr/>                          |
| At 31 December 2006             | 30                             |
|                                 | <hr/>                          |
| <i>Net book value</i>           |                                |
| At 31 December 2006             | 172                            |
|                                 | <hr/>                          |
| At 31 March 2006                | 3                              |
|                                 | <hr/>                          |

### 10 Stocks

|                | 31 Dec 06<br>£000 | 31 Mar 06<br>£000 |
|----------------|-------------------|-------------------|
| Finished goods | 5                 | -                 |
|                | <hr/>             | <hr/>             |

## Notes (continued)

### 11 Debtors

|   | 31 Dec 06<br>£000 | 31 Mar 06<br>£000 |
|---|-------------------|-------------------|
| Trade debtors                             | 249               | 104               |
| Other debtors                             | 11                | 1                 |
| Corporation tax                           | 32                | -                 |
| Deferred tax                              | 14                | -                 |
| Prepayments and accrued income            | 4                 | 1                 |
|   | <u>310</u>        | <u>106</u>        |
|   | <u>310</u>        | <u>106</u>        |
|   | 31 Dec 06<br>£000 | 31 Mar 06<br>£000 |
| <i>The deferred tax asset consists of</i> |                   |                   |
| Accelerated capital allowances            | (4)               | -                 |
| Short term timing differences             | 9                 | -                 |
| Losses and overseas tax relief            | 9                 | -                 |
|   | <u>14</u>         | <u>-</u>          |
|   | <u>14</u>         | <u>-</u>          |

There was no provided or unprovided deferred tax at 31 March 2006

### 12 Creditors: amounts falling due within one year

|                                   | 31 Dec 06<br>£000 | 31 Mar 06<br>As restated<br>£000 |
|-----------------------------------|-------------------|----------------------------------|
| Trade creditors                   | 28                | 13                               |
| Amount owed to group undertakings | 195               | -                                |
| Other creditors                   | 10                | 9                                |
| Corporation tax                   | -                 | 26                               |
| Accruals and deferred income      | 399               | 256                              |
|                                   | <u>632</u>        | <u>304</u>                       |
|                                   | <u>632</u>        | <u>304</u>                       |

### 13 Share capital

|                                  | 31 Dec 06<br>£ | 31 Mar 06<br>£ |
|----------------------------------|----------------|----------------|
| <i>Authorised</i>                |                |                |
| 1,000 ordinary shares of £1 each | 1,000          | 1,000          |
|                                  | <u>1,000</u>   | <u>1,000</u>   |
| <i>Allotted and fully paid</i>   |                |                |
| 10 ordinary shares of £1         | 10             | 10             |
|                                  | <u>10</u>      | <u>10</u>      |

## Notes (continued)

### 14 Profit and loss account

|                               | £000  |
|-------------------------------|-------|
| At 1 April 2006               | 53    |
| Prior year adjustment         | (203) |
|                               | <hr/> |
| At 1 April 2006 - as restated | (150) |
| Profit for the period         | 24    |
|                               | <hr/> |
| At 31 December 2006           | (126) |
|                               | <hr/> |

### 15 Reconciliation of movements in equity shareholders' deficit

|  | 31 Dec 06<br>£000 | 31 Mar 06<br>£000 |
|--|-------------------|-------------------|
| Profit for the period  | 24                | 53                |
| Dividends paid   | -                 | (126)             |
|  | <hr/>             | <hr/>             |
| Net movement in equity shareholders' deficit   | 24                | (73)              |
| Opening equity shareholders' deficit (originally £53,000 before deducting prior year adjustment of £203,000) | (150)             | (77)              |
|  | <hr/>             | <hr/>             |
| Closing equity shareholders' deficit   | (126)             | (150)             |
|  | <hr/>             | <hr/>             |

### 16 Contingent liabilities

The bank loans and overdrafts of the Imagesound plc group have been secured via a cross guarantee between all companies within the group. At 31 December 2006 the potential liability for the company is £1,315,000.

### 17 Related party transactions

As the company is a wholly owned subsidiary of Imagesound plc, the company has taken advantage of the exemption contained within FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

### 18 Ultimate holding company

The company's ultimate holding company is Imagesound plc, which is incorporated in England and Wales. Copies of the financial statements of Imagesound plc, into which the company's results are consolidated, may be obtained from the Company Secretary, Venture Way, Dunston Technology Park, Chesterfield, Derbyshire, S41 8NE.