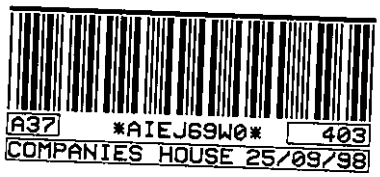
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BUGLE GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS

31 AUGUST 1997

1655492



Saffery Champness

CHARTERED ACCOUNTANTS

BUGLE GROUP LIMITED

DIRECTORS AND COMPANY INFORMATION

DIRECTORS

M A Copeland III (USA)
S Tannett
A H Brinsley (resigned 11 May 1998)
P P Banfield

SECRETARY

D P Hallybone

COMPANY NUMBER

1659921

REGISTERED OFFICE

1 Water Lane
Camden Town
London
NW1 8NZ

BANKERS

Midland Bank Plc
152 Portobello Road
London
W11 2DZ

AUDITORS

Saffery Champness
Chartered Accountants
Registered Auditors
Fairfax House
Fulwood Place
Gray's Inn
London
WC1V 6UB

DIRECTORS' REPORT

The directors submit their financial statements of Bugle Group Limited for the year ended 31 August 1997.

REVIEW OF THE BUSINESS

The company did not trade during the year. The company suffered a loss after taxation of £6,573 arising from tax on loan interest receivable. When this sum is deducted from reserves brought forward, it leaves profits of £47,975 to be carried forward to future years.

FUTURE DEVELOPMENTS

Management policies will continue to be reviewed in the context of changing trading conditions.

DIRECTORS

The directors who have held office since 1 September 1996 are as follows:-

M A Copeland III
S Tannett
P P Banfield

M A Copeland III has a beneficial interest in the whole of the issued share capital of Bugle Group Limited.

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.

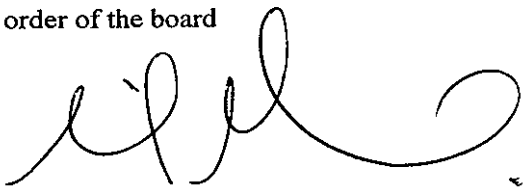
DIRECTORS' REPORT (continued)

AUDITORS

A resolution to re-appoint Saffery Champness as auditors will be put to the members at the Annual General Meeting.

The directors have prepared this report in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



M A Copeland III
Director

21 September 1998

TO THE MEMBERS OF BUGLE GROUP LIMITED

We have audited the financial statements on pages 4 to 9.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report on page 1, 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.

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 affairs of the company as at 31 August 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

SAFFERY CHAMPNESS
Chartered Accountants
Registered Auditors
London

21 September 1998

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 1997

	Note	1997	1996
Dividend from shares in group undertakings		520,000	-
Interest receivable		28,903	-
		548,903	-
Provision against recoverability of loan	9	548,903	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Taxation		6,573	-
RETAINED LOSS FOR THE YEAR	6	£(6,573)	£-

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the loss for the financial year.

The notes on pages 6 to 9 form part of these financial statements.

BALANCE SHEET
AT 31 AUGUST 1997

	Note	1997		1996	
FIXED ASSETS					
Investments	2		1,358		1,358
CURRENT ASSETS					
Debtors	3	53,790		53,790	
CURRENT LIABILITIES					
CREDITORS: Amounts falling due within one year	4	6,573		-	
NET CURRENT ASSETS			47,217		53,790
TOTAL ASSETS LESS CURRENT LIABILITIES			£48,575		£55,148
CAPITAL AND RESERVES					
Called up share capital	5		600		600
Profit and loss account	6		47,975		54,548
EQUITY SHAREHOLDERS' FUNDS	7		£48,575		£55,148

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the board on 21 September 1998

M A Copeland III
Director

The notes on pages 6 to 9 form part of these financial statements.

A BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

B FIXED ASSET INVESTMENTS

Fixed asset investments in subsidiaries are stated at cost less provisions for any permanent diminution in value.

C DEFERRED TAXATION

Taxation deferred or accelerated by the effect of timing differences is accounted for to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 1997

1 DIRECTORS

None of the directors received any remuneration during the year (1996:£nil).

2 FIXED ASSET INVESTMENTS

	Subsidiary undertakings	
Cost	1997	1996
1 September 1996 and 31 August 1997	£1,358	£1,358

The company holds more than 10% of the equity of the following undertakings:-

Subsidiary undertaking	Country of incorporation	Class of holding	Proportion held	Nature of business
Ark 21 Records Ltd	England	Ordinary	100%	Retailing
Javeberry Ltd	England	Ordinary	100%	Publishing
Bugle Songs Ltd	England	Ordinary	100%	Publishing
Prestige Talent Agency Ltd	England	Ordinary	50%	Managing Agents
Firstars Ltd	England	Ordinary	100%	Managing Agents
Metric Music Ltd	England	Ordinary	50%	Publishing
Illegal Music (Europe) Ltd	England	Ordinary	100%	Non-trading
Bugle Films Ltd	England	Ordinary	100%	Video Production
Talent Bank Management Ltd	England	Ordinary	100%	Managing Agents
Prestige (Madhouse) Ltd	England	Ordinary	50%	Managing Agents
Vending Intelligence UK Ltd	England	Ordinary	100%	Vending Machines
Associated undertaking				
Miracle Prestige International Ltd	England	Ordinary	33%	Managing Agents

The company has relied upon the provisions of the Companies Act 1985 to dispense with the preparation of Consolidated Financial Statements.

2 FIXED ASSET INVESTMENTS (continued)

In the year ended 31 August 1997, the accounts of the above noted undertakings of Bugle Group Limited disclosed the following:-

	Profit/(loss) after taxation and dividends	Capital and reserves at 31 August 1997
Ark 21 Records Ltd	£-	£12,735
Javeberry Ltd	£(300,053)	£197
Bugle Songs Ltd	£(1,755,054)	£(642,587)
Prestige Talent Agency Ltd	£(8,011)	£(176,567)
Firstars Ltd	£(381,572)	£226,083
Metric Music Ltd	£(404)	£19,559
Illegal Music (Europe) Ltd	£-	£(381)
Bugle Films Ltd	£-	£(245,653)
Talent Bank Management Ltd	£-	£(235,822)
Prestige (Madhouse) Ltd	£-	£(62,230)
Miracle Prestige International Limited	£8,669	£32,362
Vending Intelligence UK Ltd	£(2,935)	£(144,450)

3 DEBTORS

	1997	1996
Due within one year:		
Amounts due from subsidiary undertakings	£53,790	£53,790

4 CREDITORS

Corporation tax	£6,573	£-

5 SHARE CAPITAL

Authorised:		
1,000 Ordinary shares of £1 each	£1,000	£1,000
Allotted issued and fully paid		
600 Ordinary shares of £1 each	£600	£600

6 PROFIT AND LOSS ACCOUNT

Balance at 1 September 1996	54,548	54,548
Loss for the year	(6,573)	-
Balance at 31 August 1997	£47,975	£54,548

7 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

A separate movement of shareholders' fund statement is not provided as the only movement is the profit for the year.

8 CAPITAL COMMITMENTS

At the balance sheet date, outstanding contracts for capital expenditure amounted to £Nil (1996 - £Nil) and the capital expenditure authorised by the Directors, but not contracted for amounted to £Nil (1996 - £Nil).

9 RELATED PARTY DISCLOSURES

The company was under the control of M A Copeland III throughout the year.

During the year the company received a dividend of £520,000 from its subsidiary undertaking, Javeberry Limited. The proceeds from the dividend were loaned to Vending Intelligence Corporation, a company in which M A Copeland III has a beneficial interest. Interest on the loan was charged at 2% above Barclays Bank Plc base rate and at the year end, interest of £28,903 had accrued.

Following review of the latest accounts of that company, it was decided to make full provision against the recoverability of the loan and interest outstanding at the year end amounting in total to £548,903.

As disclosed in note 3 to the financial statements, amounts due from subsidiary undertakings is wholly made up of an amount due from Firstars Limited.