Company No. 1929521 (England and Wales)

SOUND INVESTMENTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2000

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Windsor | Stebbing | Marsh

SOUND INVESTMENTS LIMITED

COMPANY INFORMATION

Directors	R Y F Horney M J L Horney B S Bunt
Secretary	B S Bunt
Company number	1929521
Registered office	Rayford House School Road Hove East Sussex BN3 5HX
Auditors	Windsor Stebbing Marsh Pinnacle House 17-25 Hartfield Road Wimbledon London SW19 3SE
Bankers	Bank of Scotland 15 Queen Square Brighton BN1 3FD

SOUND INVESTMENTS LIMITED

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SOUND INVESTMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH SEPTEMBER 2000

The directors present their report and the audited financial statements for the company for the year ended 30th September 2000.

Principal activities

The company's principal activity during the year was that of an investment, management and property development company.

Directors and their interests

The directors who held office during the year and their beneficial interests in the company's issued share capital are given below:

Name of director	Share type	At 30th September 2000	At 1st October 1999
R Y F Horney	Ordinary shares	999	999
M J L Horney	Ordinary shares	1	1
B S Bunt		-	-

Statement of 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 for that year. 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 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.

SOUND INVESTMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH SEPTEMBER 2000

Small company exemptions

This report has been prepared in accordance with the special provisions relating to small companies within part VII of the Companies Act 1985.

By order of the Board

B S Bunt, Secretary
Date: 15/5/2001

Rayford House
School Road
Hove
East Sussex
BN3 5HX

AUDITORS' REPORT TO THE

SHAREHOLDERS OF SOUND INVESTMENTS LIMITED

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and 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 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 the 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 September 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Windsor Stebbing Marsh.

Windsor Stebbing Marsh
Chartered Accountants and Registered Auditors
Pinnacle House
17-25 Hartfield Road
Wimbledon
London
SW19 3SE

Date: 8/6/01

SOUND INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH SEPTEMBER 2000

	Notes	2000	*1999*
		£	*£*
Turnover	2	**1,117,201**	*97,824*
Cost of sales		**(787,339)**	-
Gross profit		**329,862**	*97,824*
Administrative expenses		**(90,931)**	*(99,397)*
		238,931	*(1,573)*
Other operating income		**10,217**	*24,489*
Operating profit	3	**249,148**	*22,916*
Interest receivable		**41,344**	*140*
Interest payable and similar charges		**-**	*(17,069)*
Profit on ordinary activities before taxation		**290,492**	*5,987*
Tax on profit on ordinary activities	4	**(29,050)**	-
Profit for the financial year	13	**261,442**	*5,987*

All amounts relate to continuing activities.

The notes on pages 6 to 12 form part of these financial statements.

SOUND INVESTMENTS LIMITED

BALANCE SHEET

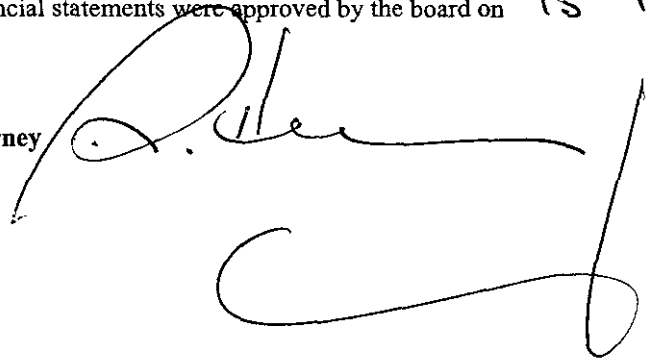
AS AT 30TH SEPTEMBER 2000

	Notes	£	2000 £	£	*1999* *£*
Fixed assets					
Tangible assets	5		**201,644**		*44,966*
Investments	6		**13**		*13*
			201,657		*44,979*
Current assets					
Debtors	8	**466,987**		*427,307*	
Cash at bank and in hand		**4,799**		*339*	
		471,786		*427,646*	
Creditors: amounts falling due within one year	9	**(632,714)**		*(737,838)*	
Net current liabilities			**(160,928)**		*(310,192)*
Total assets less current liabilities			**40,729**		*(265,213)*
Capital and reserves					
Share capital	10		**1,000**		*1,000*
Revaluation reserve	13		**44,500**		-
Profit and loss account	13		**(4,771)**		*(266,213)*
Shareholders' funds	14		**40,729**		*(265,213)*

The financial statements have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

These financial statements were approved by the board on 15TH MAY 2001 and signed on its behalf by:

R Y F Horney
Director



The notes on pages 6 to 12 form part of these financial statements.

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

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

Going Concern

These financial statements have been prepared on the basis that the company will continue to be a going concern. If this assumption is not considered valid, then adjustments would need to be made to reduce the value of the assets to their recoverable amount, to provide for any further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Consolidation

The financial statements contain information about Sound Investments Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a small group.

Turnover

Turnover represents the sales proceeds of real estate property transactions.

Tangible fixed assets and depreciation

Depreciation has been provided at the following rates in order to write down the cost or valuation, less estimated residual value over their expected useful lives:

Office machinery	25% per annum on a straight line basis
Fixtures and fittings	25% per annum on a straight line basis

Investment properties

In accordance with Statement of Standard Accounting Practice No. 19, certain of the company's properties are held for long-term investment and are included in the Balance Sheet at their open market values. The surplus or deficit on annual revaluation of such properties are transferred to the investment property revaluation reserve. Depreciation is not provided in respect of freehold investment properties. Leasehold investment properties are not amortised where the unexpired term is over twenty years.

This policy represents a departure from statutory accounting principles, which require depreciation to be provided on all fixed assets. The directors consider that this policy is necessary in order that the Financial Statements may give a true and fair view because current values and changes in current values are of prime importance rather than the calculation of systematic annual depreciation. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

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.

2 Turnover

The turnover and operating profit for the year were derived from the company's principal activity which was carried out wholly in the UK.

3 Operating profit

The operating profit is stated after charging or crediting:	**2000**	*1999*
	£	*£*
Depreciation of tangible fixed assets:		
-owned assets	**822**	*1,389*
Auditors' remuneration	**1,000**	-
Rental income	**(4,973)**	*(24,489)*

4 Taxation

	2000	*1999*
	£	*£*
Based on the profit for the year:		
UK corporation tax at 30%	**29,050**	-
	29,050	-

5 Tangible fixed assets

	Investment properties	Office machinery	Fixtures and fittings	Total
Cost or valuation	**£**	**£**	**£**	**£**
At 1st October 1999	42,500	3,286	2,279	48,065
Additions	155,500	-	-	155,500
Reclassification	(42,500)	-	-	(42,500)
Revaluations	44,500	-	-	44,500
At 30th September 2000	**200,000**	**3,286**	**2,279**	**205,565**
Depreciation				
At 1st October 1999	-	821	2,278	3,099
Charge for the year	-	822	-	822
At 30th September 2000	**-**	**1,643**	**2,278**	**3,921**
Net book value				
At 30th September 2000	**200,000**	**1,643**	**1**	**201,644**
At 30th September 1999	*42,500*	*2,465*	*1*	*44,966*

6 Fixed asset investments

	Unlisted investments	Total
Cost	**£**	**£**
At 1st October 1999	13	13
At 30th September 2000	**13**	**13**
Net book value		
At 30th September 2000	**13**	**13**
At 30th September 1999	*13*	*13*

7 Shares in group undertakings

Name of company	Country of incorporation	Details of investments	Proportion held by company	Nature of business
Rayford Homes Sussex Limited	UK	Ordinary shares	100%	Rental management
Unique Occasions Limited	UK	Ordinary shares	100%	Dormant
Rayford House Management Limited	UK	Ordinary Shares	100%	Managing agent
Sound Developments (Tunbridge Wells) Limited	UK	Ordinary shares	100%	Property development
Sound Developments Limited	UK	Ordinary shares	100%	Property development
Sound Developments (Battle) Limited	UK	Ordinary shares	100%	Dormant
Complete Finance Limited (formerly Court Farm Developments Limited)	UK	Ordinary shares	50%	Dormant

The directors have not consolidated the results of the subsidiaries as the company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group qualifies as a small group.

The capital and reserves and profit or loss for the subsidiary as at its financial year ending with, or last before, the financial year of the holding company were as follows :

	Profit/(loss) for the year	Capital and reserves
	£	£
Rayford Homes Sussex Limited	(2,003)	(561)
Unique Occasions Limited	-	(2,370)
Rayford Homes Management Limited	-	2
Sound Developments (Tunbridge Wells) Limited	(950)	(948)
Sound Developments Limited	(950)	(948)
Sound Developments (Battle) Limited	-	2
Complete Finance Limited	-	2

8	**Debtors**	**2000**	*1999*
		£	*£*
	Amounts owed by group undertakings and undertakings in which the company has a participating interest	**464,205**	*406,319*
	Other debtors	**2,782**	*20,988*
		466,987	*427,307*

9	**Creditors: amounts falling due within one year**	**2000**	*1999*
		£	*£*
	Amounts owed to group undertakings and undertakings in which the company has a participating interest	**-**	*1,483*
	Other creditors	**34,401**	*11,096*
	Directors' current accounts	**598,313**	*725,259*
		632,714	*737,838*

'Other creditors' include £29,487 (1999: £-) in respect of taxation and social security.

10	**Share capital**	**2000**	*1999*
		£	*£*
	Authorised		
	1,000 Ordinary shares of £1.00 each	**1,000**	*1,000*
		1,000	*1,000*
	Allotted		
	1,000 Allotted, called up and fully paid ordinary shares of £1 each	**1,000**	*1,000*
		1,000	*1,000*

11 Related parties

The company was controlled throughout the current and previous years by R Y F Horney by virtue of his 99% holding of the ordinary shares of the company.

During the year, R Y F Horney reduced his loan account with the company from £ 725,259 to £598,313.

Rayford Homes Sussex Limited

During the year the company was provided with services from Rayford Homes Sussex Limited to the value of £1,283. As at 30th September 2000 the company owed £252 to Sound Investments Limited.

Rayford House Management Limited

During the year, the company traded with Rayford House Management Limited, a company of which Mr R Y F Horney, Mrs M J L Horney and Mr B S Bunt are directors. Sound Investments Limited was paid managing agent fees of £3,811 and paid Rayford House Management Limited service charges of £1,511. The service charges payable are calculated on the same basis as for other occupants of Rayford House. As at 30th September 2000 the company owed £2,157 to Sound Investments Limited.

Bryart Developments Limited

During the year, the company was provided with services from Bryart Developments Limited, of which Mr B S Bunt is a director and shareholder, to the value of £30,350. As at 30th September 2000 the amount outstanding was nil.

Sound Developments (Tunbridge Wells) Limited

This company was formed to enter into a joint venture with the Buxton Group and Rayford Investments (Tunbridge Wells) Limited to develop a site at Tunbridge Wells, Kent. As at 30th September 2000 the company owed £241,321 to Sound Investments Limited.

Sound Developments Limited

This company was formed to enter into a joint venture with Kingsmead Holdings Limited and Rayford Investments Limited to develop a site at Weedon, Northants. As at 30th September 2000 this company owed £220,835 to Sound Investments Limited.

Sound Developments (Battle) Limited

This company remained dormant throughout the year.

Complete Finance Limited (formerly Court Farm Developments Limited)

This company changed its name to Complete Finance Limited on 2nd June 2000 to offer alternative development finance. No transactions were entered into until after the end of its financial year on 30th September 2000.

12 Accounting Basis

As stated in the accounting policy note, these financial statements have been prepared on the basis that the company will continue to be a going concern. Current liabilities exceeded current assets by £160,928 at the balance sheet date.

The validity of this basis depends upon the continued support of the company's principal shareholder and director, R Y F Horney. R Y F Horney confirms that he will give the required financial support.

13 Reserves

	Revaluation reserve	Profit and loss account
	£	£
At 1st October 1998	-	(272,200)
Profit for the year	-	5,987
At 1st October 1999	-	(266,213)
Profit for the year	-	261,442
Transfers on revaluation	44,500	-
At 30th September 2000	**44,500**	**(4,771)**

14 Reconciliation of movement in shareholders' funds

	2000	*1999*
	£	*£*
Profit for the financial year	**261,442**	*5,987*
Other recognised gains and losses	**44,500**	-
Increase in the shareholders' funds	**305,942**	*5,987*
Opening shareholders' funds	**(265,213)**	*(271,200)*
Closing shareholders' funds	**40,729**	*(265,213)*