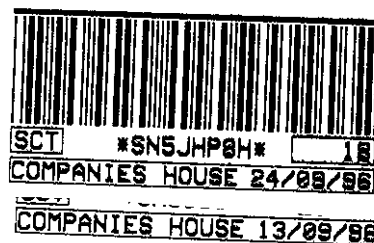


STEPPIN' OUT RECORDS (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 16TH AUGUST 1994 (DATE OF
INCORPORATION) TO 31ST OCTOBER 1995

COMPANY NO. 152521

DC



STEPPIN' OUT RECORDS (UK) LIMITED

COMPANY INFORMATION

DIRECTORS :	Scott Robertson Margaret McCallian
SECRETARY :	Laura McAnna
COMPANY NUMBER :	152521
REGISTERED OFFICE :	4A Murderdean Road Newtongrange Midlothian EH22 4PD
ACCOUNTANTS :	Ian J Brown & Company Chartered Accountants 4 Lothian Street DALKEITH Midlothian EH22 1DS

STEPPIN' OUT RECORDS (UK) LIMITED

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DIRECTORS' REPORT FOR THE PERIOD FROM 16TH AUGUST 1994 (DATE OF
INCORPORATION) TO 31ST OCTOBER 1995

The directors present their report and the financial statements for the period from 16th August 1994 (date of incorporation) to 31st October 1995.

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 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.

Principal Activity

The company was incorporated on 16th August 1994 and commenced trading on 1st November 1994 as distributors, suppliers and manufacturers of records.

Directors

The Directors at 31st October 1995 and their interests in the share capital of the company were as follow:-

	At 31st October 1995	Date Of Appointment
	Ordinary Shares	Ordinary Shares
Scott Robertson	100	100

Auditors

The auditors, Ian J Brown and Company were appointed on 30th January 1995 and will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

This report, which has been prepared taking advantage of special exemptions conferred by Part II of Schedule 8 to the Companies Act 1985 was approved by the board on 6th September 1996 and signed on its behalf.

S ROBERTSON
Director



ACCOUNTANTS' REPORT TO THE SHAREHOLDERS ON THE UNAUDITED ACCOUNTS
OF STEPPIN' OUT RECORDS (UK) LIMITED

We report on the Accounts for the period from 16th August 1994 (date of incorporation) to 31st October 1995.

Respective Responsibilities of Directors and Reporting Accountants

As described on page 4 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 the companies not entitled to the exemption specified in section 249B(1).

Ian J. Brown - Co.

Ian J Brown & Company
Chartered Accountants
4 Lothian Street
DALKEITH
Midlothian
EH22 1DS

6th September 1996

STEPPIN' OUT RECORDS (UK) LIMITED

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PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 16TH AUGUST 1994 (DATE OF
INCORPORATION) TO 31ST OCTOBER 1995

	<u>Notes</u>	<u>1995</u>
		£
Turnover	1, 2	284341
Cost Of Sales		<u>165514</u>
Gross Profit		118827
Selling and Distribution Costs		(54399)
Administrative Expenses		<u>(69492)</u>
Operating Loss	3	(5064)
Interest Receivable	4	-
Interest Payable		<u>(204)</u>
Loss On Ordinary Activities Before Taxation		(5268)
Taxation On Loss On Ordinary Activities	5	<u>-</u>
Loss On Ordinary Activities After Taxation		(5268)
Dividends	6	
On Equity Shares		<u>-</u>
Retained Loss For The Period Carried Forward		<u>(5268)</u>

There were no recognised gains and losses for 1995 other than those included in the profit and loss account.

The notes on pages 6 to 10 form part of these financial statements.

STEPPIN' OUT RECORDS (UK) LIMITED4BALANCE SHEETAS AT 31ST OCTOBER 1995

	<u>Notes</u>	<u>1995</u>	
		£	£
Fixed Assets			
Tangible Assets	7		34712
Current Assets			
Stocks		5000	
Debtors	8	7996	
		<u>12996</u>	
Creditors: Amounts Falling Due Within One Year	9	<u>52876</u>	
Net Current Assets (Liabilities)			<u>39880</u>
Net Assets Less Current Liabilities			<u>(5168)</u>
Creditors: Amounts Falling Due After More Than One Year	10		-
Provisions For Liabilities and Charges			
Deferred Taxation	11		-
Net Assets			<u>(5168)</u>
Capital and Reserves			
Called Up Share Capital	12		100
Profit and Loss Account			<u>(5268)</u>
Shareholders' Funds	13		<u>(5168)</u>
Represented By			
Equity Interests			(5168)
Non-Equity Interests			-
			<u>(5168)</u>

BALANCE SHEET (CONTINUED)

AS AT 31ST OCTOBER 1995

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 249A(2) of the Companies Act 1985. Shareholders holding 10% or more of the normal value of the company's issued share capital have not issued a notice requiring an audit. The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985, and for preparing accounts which give a true and fair view of the state of the affairs of the company as at 31st October 1995 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 Act relating to the accounts so far as applicable to the company.

The directors have taken advantage, in the preparation of these financial statements, of the exemptions available under Part 1 of Schedule 8 to the Companies Act 1985, on the grounds that the company qualifies as a small company by virtue of section 247 of the Companies Act 1985. The financial statements were approved by the board on 6th September 1996 and signed on its behalf.

M McCallion
Director

A handwritten signature in dark ink, reading "Margaret McCallion". The signature is written in a cursive, flowing style. The first name "Margaret" is written in a larger, more prominent script, and "McCallion" follows in a similar but slightly smaller script. The signature is positioned to the right of the printed name and title.

The notes on pages 6 to 10 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM 16TH AUGUST 1994 (DATE OF
INCORPORATION) TO 31ST OCTOBER 1995

1. Accounting Policies

1.1 Basis Of Preparation Of Financial Statements

The financial statements are prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

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 comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

1.3 Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or valuation less depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor Vehicles	25% reducing balance basis
Fixtures and Fittings	25% reducing balance basis
Plant & Machinery	25% reducing balance basis

1.4 Leasing and Hire Purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD FROM 16TH AUGUST 1994 (DATE OF
INCORPORATION) TO 31ST OCTOBER 1995.

1.6 Stocks and Work In Progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.7 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 are taken into account in arriving at the operating profit.

1.8 Deferred Taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

2. Turnover

In the period to 31st October 1995 3% of the company's turnover was to markets outside the United Kingdom.

3. Operating Profit

The operating profit is stated after charging:-

	<u>1995</u>
	£
Depreciation Of Tangible Fixed Assets	
- owned by the company	11570
- held under finance leases	-
Operating Lease Rentals	
- other	1608
- plant and machinery	-
Directors' Emoluments	4796
Pension Costs	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD FROM 16TH AUGUST 1994 (DATE OF
INCORPORATION) TO 31ST OCTOBER 1995

1995

£

4. Interest Payable

Interest payable represents amounts paid on bank overdraft.

5. Taxation

Due to the loss for the period no taxation provision is appropriate.

6. Tangible Fixed Assets

	<u>Plant & Machinery Etc</u>	<u>Total</u>
	£	£
Cost		
Additions	46282	46282
Disposals	-	-
At 31st October 1995	<u>46282</u>	<u>46282</u>
Depreciation		
On Disposals	-	-
Charge for Year	11570	11570
At 31st October 1995	<u>11570</u>	<u>11570</u>
Net Book Values		
At 31st October 1995	<u>34712</u>	<u>34712</u>

7. Debtors

Due Within One Year

Trade Debtors

Other Debtors

-

7996

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD FROM 16TH AUGUST 1994 (DATE OF
INCORPORATION) TO 31ST OCTOBER 1995

	<u>1995</u>
	£
8. Creditors: Amounts Falling Due Within One Year	
Bank Loans and Overdraft	1849
Net Obligations Under Finance Lease and Hire Purchase Contracts	-
Trade Creditors	20725
Corporation Tax	-
Other Creditors	12248
Directors' Loans	<u>18054</u>
	<u>52876</u>

Included within other creditors is an amount of £10248 relating to social security and other taxes.

The directors' loans are unsecured interest free and have no fixed terms of repayment.

9. Deferred Taxation

No provision for deferred taxation is considered appropriate in these accounts.

10. Share Capital

Authorised Ordinary Shares Of £1 Each	<u>100</u>
Allotted, called up and fully paid Ordinary Shares Of £1 Each	<u>100</u>

11. Movement On Shareholders' Funds

Loss For The Year	(4768)
Less: Dividends	<u>-</u>
	(4768)
Share Capital Issued	<u>100</u>
Closing Shareholders' Funds	<u>(4668)</u>

12. Contingent Liabilities

There were no contingent liabilities at the year end.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)FOR THE PERIOD FROM 16TH AUGUST 1994 (DATE OF
INCORPORATION) TO 31ST OCTOBER 1995

13. Capital Commitments

There were no capital commitments at the year end.

14. Other Commitments

At 31st October 1995 the company had annual commitments under non-cancelable operating leases as follows:-

	<u>Land and Buildings</u>	<u>Other</u>
Expiry Date:		
Within One Year	-	1608
Between Two and Five Years	-	1608
In More Than Five Years	-	-

15. Post Balance Sheet Events

There were no events after the balance sheet date which require disclosure in these Accounts.