

AVALON MANAGEMENT GROUP LIMITED

FINANCIAL STATEMENTS

30TH JUNE, 1998



AVALON MANAGEMENT GROUP LIMITED

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AVALON MANAGEMENT GROUP LIMITED

Registered No. 2242641

Directors

J.M. THODAY
R. ALLEN-TURNER
C. JONES
R. ASLETT
R.J. BENNETT

Secretary

R. ALLEN-TURNER

Registered Office

4a Exmoor Street,
London, W10 6BD

Auditors

MGI MIDGLEY SNELLING,
Chartered Accountants,
Brettenham House,
Lancaster Place,
London, WC2E 7EW

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AVALON MANAGEMENT GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present the audited financial statements of the company for the year ended 30th June, 1998 and report as follows:-

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period, 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 these 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;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * 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 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 principal activity of the company during the year was the provision of the services of performers in the entertainment industry.

RESULTS AND DIVIDEND

The profit for the year after taxation is shown on page 5.

The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

The directors are satisfied with the result achieved and are optimistic for the future.

AVALON MANAGEMENT GROUP LIMITED

REPORT OF THE DIRECTORS

DIRECTORS

The directors who held office during the year together with their beneficial interest in the issued share capital of the company, which remained unchanged throughout the year were as follows:-

J.M. THODAY - ordinary shares of £1 each	80
- variable rate preference shares of £1 each	-

R. ALLEN-TURNER	
- ordinary shares of £1 each	20
- variable rate preference shares of £1 each	100

C. JONES was appointed director on 1st July 1998.

R. ASLETT was appointed director on 14th October 1999.

R.J. BENNETT was appointed director on 4th January 2000.

YEAR 2000

The directors have a policy of continually updating their computer systems and have ensured computer and software upgrades have been implemented to give compatibility with the Year 2000.

COMPANY STATUS

The company is a close company as defined by Section 414 I.C.T.A. 1988.

AUDITORS

The auditors, MGI Midgley Snelling, have indicated their willingness to continue in office and a resolution proposing their re-appointment will be put before the members at the annual general meeting.

4a Exmoor Street,
London, W10 6BD

4/2/00

BY ORDER OF THE BOARD

J.M. THODAY
Director

REPORT OF THE AUDITORS

TO THE MEMBERS OF AVALON MANAGEMENT GROUP LIMITED

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described on page 2, 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 mis-statement, 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 the company's affairs as at 30th June, 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Brettenham House,
Lancaster Place,
London, WC2E 7EW

A^K Coleman 2000



Chartered Accountants and
Registered Auditors

AVALON MANAGEMENT GROUP LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE, 1998

	Notes		1997
TURNOVER	(2)	1,186,348	759,786
Administrative expenses		1,174,418	728,358
		<hr/>	<hr/>
OPERATING PROFIT	(3)	11,930	31,428
Bank interest receivable		8,789	5,568
Interest payable		(1,608)	(1,784)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		19,111	35,212
Taxation	(5)	11,797	31,119
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		7,314	4,093
Retained profit brought forward		52,297	48,204
		<hr/>	<hr/>
RETAINED PROFIT carried forward		£ 59,611	£ 52,297
		<hr/> <hr/>	<hr/> <hr/>

The turnover and operating profit for the period are attributable to continuing operations in both this and the preceding period. The only gain recognised in this and the preceding period was the profit for the period.

The notes on pages 7 to 11 form part of these financial statements.

AVALON MANAGEMENT GROUP LIMITED

BALANCE SHEET

30TH JUNE, 1998

	Notes		1997
FIXED ASSETS			
Tangible assets	(7)	63,548	33,166
CURRENT ASSETS			
Debtors	(8)	811,171	342,004
Cash at bank and in hand		174,716	119,949
		<u>985,887</u>	<u>461,953</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	(9)	989,624	442,622
NET CURRENT LIABILITIES		<u>(3,737)</u>	<u>19,331</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£ 59,811</u>	<u>£ 52,497</u>
CAPITAL AND RESERVES			
Called up share capital	(10)	200	200
Profit and loss account		59,611	52,297
SHAREHOLDERS' FUNDS	(11)	<u>£ 59,811</u>	<u>£ 52,497</u>
Attributable to Equity Interest		59,711	52,397
Attributable to Non Equity Interest		100	100
		<u>£ 59,811</u>	<u>£ 52,497</u>

The financial statements were approved by the directors on 4/2/00 and signed on its behalf by:-

J.M. THODAY

R.J. BENNETT

)
)
) DIRECTORS
)
)

The notes on pages 7 to 11 form part of these financial statements.

AVALON MANAGEMENT GROUP LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(a) **Basis of Accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards. There were no differences between the reported profit and the historical cost profit on ordinary activities before taxation.

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from producing a cashflow statement on the basis that it meets the "small companies" limits for filing abbreviated accounts as defined by the Companies Act, 1985.

(b) **Turnover**

Turnover represents commissions and fees receivable during the year stated net of Value Added Tax.

(c) **Depreciation**

Depreciation is provided on all tangible assets at annual rates calculated to write down the cost of each asset over its estimated useful life:-

The rates used are as follows:-

Equipment	- 25 % on cost
Computer	- 25 % on cost
Motor Vehicles	- 25 % on cost

(d) **Deferred Taxation**

Deferred taxation is provided on the liability method on all material timing differences where, in the opinion of the directors, a liability will arise in the foreseeable future.

In the opinion of the directors there were no material timing differences at the balance sheet date.

(e) **Pension Scheme**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund.

(f) **Operating Leases**

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

2. TURNOVER

The turnover relates wholly to the company's principal activity namely the provision of services of performers in the entertainment industry.

AVALON MANAGEMENT GROUP LIMITED

NOTES ON THE FINANCIAL STATEMENTS

3.	OPERATING PROFIT	1998	1997
	This is stated after charging-		
	Rents payable under operating leases	98,355	63,407
	Auditors' remuneration	3,500	3,500
	Depreciation (Note 7)	31,316	18,613
	Hire of equipment	25,718	21,834
		<u> </u>	<u> </u>
	and after crediting:-		
	Management fees	793,000	485,000
		<u> </u>	<u> </u>
4.	STAFF COSTS AND DIRECTORS' EMOLUMENTS		
	Staff costs (including directors):-		
	Salaries	397,110	253,125
	Social security costs	41,064	25,830
	Pension contributions	87,600	87,600
		<u> </u>	<u> </u>
		£ 525,774	£ 366,555
		<u> </u>	<u> </u>
The average monthly number of employees throughout the year (including directors) was 19 (1997: 13)			
	Aggregate directors' emoluments in respect of		
	Qualifying services (including non-cash benefits)	£ 226,662	£ 170,267
		<u> </u>	<u> </u>
	Pension contributions	£ 87,600	£ 87,600
		<u> </u>	<u> </u>
	Pension benefits are accruing to 2 of the directors.		
5.	TAXATION		
	United Kingdom Corporation Tax	12,000	16,700
	Overprovision in previous year	(203)	-
	Underprovision	-	14,419
		<u> </u>	<u> </u>
		£ 11,797	£ 31,119
		<u> </u>	<u> </u>

AVALON MANAGEMENT GROUP LIMITED

NOTES ON THE FINANCIAL STATEMENTS

6. OPERATING LEASE COMMITMENTS

At the balance sheet date the company was committed to making the following annual payments in respect of operating leases:-

Leases which expire within:-	Land & Building	Other
One year	-	704
Two to five years	-	25,344

7. TANGIBLE FIXED ASSETS

	Total	Office Equipment	Computer Equipment	Motor Vehicles
Cost				
At 1st July 1997	101,305	33,391	67,914	-
Additions	61,701	13,017	29,731	18,953
At 30th June, 1998	£ 163,006	46,408	97,645	18,953
Depreciation				
At 1st July, 1997	68,142	28,520	39,622	-
Charge for the year	31,316	6,375	20,202	4,739
At 30th June, 1998	£ 99,458	34,895	59,824	4,739
Net Book Value				
At 30th June, 1997	£ 33,163	4,871	28,292	-
At 30th June, 1998	£ 63,548	11,513	37,821	14,214

8. DEBTORS

	1998	1997
Trade debtors	680,667	223,596
Other debtors	115,387	108,849
Prepayments and accrued income	15,117	9,559
	£ 811,171	£ 342,004

AVALON MANAGEMENT GROUP LIMITED

NOTES ON THE FINANCIAL STATEMENTS

	1998	1997
9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Finance lease creditors	11,943	-
Trade creditors	491,605	226,853
Corporation tax	12,000	25,253
Other taxes and social security costs	172,087	62,118
Other creditors	203,810	80,112
Accruals	98,179	48,286
	<hr/>	<hr/>
	£ 989,624	£ 442,622
	<hr/>	<hr/>
10. SHARE CAPITAL		
Authorised		
90,000 Ordinary Shares of £1 each	90,000	90,000
10,000 Variable Rate Preference Shares of £1 each	10,000	10,000
	<hr/>	<hr/>
	£ 100,000	£ 100,000
	<hr/>	<hr/>
Issued and Fully Paid		
100 Ordinary Shares of £1 each	100	100
100 Variable Rate Preference Shares of £1 each	100	100
	<hr/>	<hr/>
	£ 200	£ 200
	<hr/>	<hr/>

The rights attached to the Variable Rate Preference Shares are as follows:-

Holders are eligible for a variable non-cumulative dividend with a guaranteed minimum rate of 10% for the time being.

There are no voting rights attached to the shares unless the dividend is twelve months in arrears or the business of the meeting includes a resolution proposing the winding up of the company or a resolution varying the rights attached to the Preference Shares.

In the event of winding up the company, holders will not be entitled to any share in the distribution of surplus assets but shall be subject to the repayment of the full capital sum ahead of and in preference to the repayment of the Ordinary Share Capital.

AVALON MANAGEMENT GROUP LIMITED

NOTES ON THE FINANCIAL STATEMENTS

11. SHAREHOLDERS FUNDS	1998	1997
Profit for the year	7,314	4,093
Opening shareholders' funds	52,497	48,404
	<hr/>	<hr/>
Closing shareholders' funds	£ 59,811	£ 52,497
	<hr/>	<hr/>

12. DIRECTORS INTEREST AND RELATED PARTY TRANSACTIONS

The company is controlled by J.M. Thoday who owns 80% of the ordinary share capital.

J. M. Thoday and R. Allen-Turner are directors and shareholders of Avalon Promotions Limited and Avalon Television Limited. During the year the company received management fees from these companies of £793,000 (1997: £485,000) and £ Nil (1997: £20,000) respectively.

At the balance sheet date the following balances existed with these companies:-

Avalon Promotions Limited	-	Creditor £129,242 (1997: Creditor £62,639)
Avalon Television Limited	-	Debtor £3,659 (1997: Creditor £3,659)

J.M. Thoday and R. Allen-Turner are directors of Avalon Publishing Limited.

J.M. Thoday also owns 80% of the ordinary share capital of Spring Residuals (1997) Limited.

At the balance sheet date the company was owed by Spring Residuals (1997) Limited £84,262 (1997: £84,262).

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