

SOUND ADVANTAGE PLC

ANNUAL REPORT OF AND FINANCIAL STATEMENTS
PERIOD 27TH OCTOBER 1989 TO 31ST MARCH 1991

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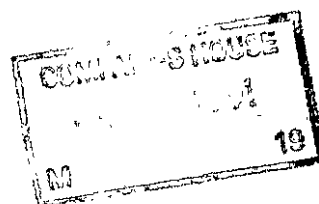
DIRECTORS: S.J. Etherington (Chairman)
Mrs. W.L. Tumim R.C. North
M.S. Robinson Miss. C.F. Perkins (Managing)
M.D. Nicholls

SECRETARY: B.L. Hindson

REGISTERED OFFICE: 1 Metro Centre,
Shrewsbury Avenue,
Peterborough. PE2 0UH.

REGISTERED NUMBER: 2437205

AUDITORS: Stoy Hayward,
Garrick House,
76-80 High Street,
Old Fletton,
Peterborough. PE2 8DR.



SOUND ADVANTAGE PLC

REPORT OF THE DIRECTORS
PERIOD 27TH OCTOBER 1989 TO 31ST MARCH 1991

The Directors submit their first report together with the audited financial statements for the period 27th October 1989 to 31st March 1991.

Results and Dividends

The trading loss for the period, after taxation, amounted to £(241,580). The appropriation is set out in the annexed Profit and Loss Account on page 5. The Directors do not recommend payment of an Ordinary Dividend.

Events since the end of the period

Since the 31st March 1991, the company's holding company, The Royal National Institute for the Deaf, has at its latest finance committee meeting on 16th July 1991 converted the loan shown in these financial statements into share capital.

Principal activities, review of business and future developments

The company has occupied its business premises since 2nd April 1990 and commenced trading on 4th May 1990.

The company's principal activity is the marketing and distribution of environment aids and assistive devices for people who are deaf and hard of hearing.

During the course of its first trading period, the company has rapidly expanded its business activities, principally within the public sector.

The directors' policy is to continue the expansion of the company in this existing growth area. The company has also embarked on a marketing programme which, it is intended, will not only increase its substantial market share of the public sector, but also increase the company's market share of the private market and public awareness of the company in general.

Research and Development

The company was engaged during the period in research and development in the area of new products for people who are deaf and hard of hearing.

SOUND ADVANTAGE PLCREPORT OF THE DIRECTORSPERIOD 27TH OCTOBER 1989 TO 31ST MARCH 1991 (Continued)Fixed Assets

The movements in fixed assets during the period are set out in the Balance Sheet and the attached notes. The most significant changes were initial purchases of office furniture and equipment.

Directors

The directors of the company as at 31st March 1991 all of whom have been directors for the whole of the period, except where stated, were:-

	<u>Appointed</u>	<u>Resigned</u>
Swift Incorporations Ltd	27.10.89	05.12.89
Instant Companies Ltd	27.10.89	05.12.89
M.E.P. Roper	05.12.89	14.12.89
M.B.D. Kapalka	05.12.89	14.12.89
M.R. Whitlam	14.12.89	21.12.90
M.L. Wheeler	14.12.89	22.02.01
Mrs. W.L. Twain	15.01.90	
P.W. Smellridge	15.01.90	20.10.90
M.S. Robinson	20.01.90	
M.P. Nicholls	20.01.90	
R.C. North	04.07.90	
Miss. C.F. Perkins	21.02.91	
S.J. Etherington	22.02.91	

No director has any interest in the share capital of the company.

Substantial Shareholder

The company is a subsidiary of The Royal National Institute for the Deaf which owns the whole issued share capital.

Close company status

The company is not a close company for taxation purposes.

SOUND ADVANTAGE PLC

REPORT OF THE DIRECTORS
PERIOD 27TH OCTOBER 1989 TO 31ST MARCH 1991

Auditors

Stoy Hayward have expressed their willingness to continue in office and resolution to re-appoint them will be proposed at the annual general meeting.

By Order of the Board

A handwritten signature in dark ink, appearing to be 'B.L. Hindson', with a long, sweeping horizontal line extending to the right.

B.L. Hindson,
Company Secretary

29th July 1991

SOUND ADVANTAGE PLC

REGISTERED NUMBER: 2437205

REPORT OF THE AUDITORS

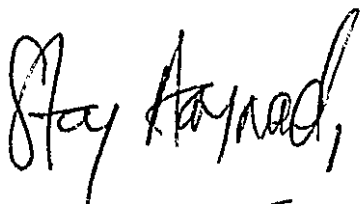
To the members of Sound Advantage PLC

We have audited the financial statements on pages 5 to 18 in accordance with Auditing Standards.

The financial statements have been prepared on a going concern basis. This basis may not be appropriate because the company incurred a loss after taxation of £(241,580) during the period ended 31st March 1991 and at that date its liabilities exceeded its assets by £191,580. We draw your attention to note 19 which refers to the conversion of loan into ordinary share capital after the balance sheet date. If this had occurred before the balance sheet date the company would have had net assets of £129131.

However, in view of the company's continuing trading losses, its ability to continue trading is dependent upon the continued support of its holding company, the Royal National Institute for the Deaf.

Subject to the foregoing, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st March 1991 and of its loss and source and application of funds for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Stoy Hayward,
Garrick House
76-80 High Street,
Old Fletton,
Peterborough, PE2 8DR.

29th July 1991

SOUND ADVANTAGE PLC

PROFIT AND LOSS ACCOUNT
PERIOD 27TH OCTOBER 1989 TO 31ST MARCH 1991

Notes

Turnover	2	237717
Cost of Sales		<u>183467</u>
Gross Profit		54250
Distribution and administrative expenses	3	<u>295142</u> (240892)
Other Operating Income	6	<u>3687</u>
Loss from operations		(237205)
Interest payable on loans to be repaid within five years	7	<u>4375</u>
Loss on Ordinary Activities before Taxation		(241580)
Taxation	8	<u>-</u>
Loss on Ordinary Activities after Taxation		(241580)
Extraordinary profit after taxation		<u>-</u>
Loss for the financial period		(241580)
Proposed dividend		<u>-</u> (241580)
Retained profits brought forward		<u>-</u>
Retained losses carried forward		£(241580) =====

SOUND ADVANTAGE PLCBALANCE SHEET
AS AT 31ST MARCH 1991

	<u>Notes</u>	
<u>Fixed Assets</u>		
Tangible Assets	9	68114
<u>Current Assets</u>		
Stocks	10	32764
Debtors	11	160847
Cash at Bank and in Hand		<u>44894</u>
		238505
<u>Creditors</u>		
Amounts falling due within one year	12	<u>117830</u>
<u>Net Current Assets</u>		<u>120875</u>
<u>Total Assets less Current Liabilities</u>		188989
<u>Creditors</u>		
Amounts falling due after more than one year	13	<u>380569</u>
		£(191580)
		=====
<u>Financed by:-</u>		
<u>Share Capital</u>	14	50000
<u>Revenue Deficiency</u>	15	(241580)
		£(191580)
		=====

The Accounts were approved by the Board on 29th July 1991


Director


Director

SOUND ADVANTAGE PLCSTATEMENT OF SOURCE AND APPLICATION OF FUNDS
PERIOD 27TH OCTOBER 1989 TO 31ST MARCH 1991Source of Funds

Proceeds of share issue	50000
Loan advance	358211
Hire purchase/lease advances	<u>60535</u>
	468746

Application of Funds

Net Loss on ordinary activities before taxation	(241580)
Adjustment for items not involving the movement of funds:-	
Depreciation	<u>14425</u>
<u>Total absorbed by operations</u>	(227155)

Other applications

Purchase of fixed assets	82539
Hire purchase/lease repayments	<u>17973</u> (100512)
<u>Net source of funds</u>	£ 141079
	=====

Represented by movements in working capital

Stocks	32764
Debtors	160847
Creditors	<u>(97426)</u> 96185
 Net liquid funds:-	
Cash at Bank	44783
Cash in Hand	<u>111</u> 44894
	£ 141079
	=====

SOUND ADVANTAGE PLC1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:-

(a) Turnover

Turnover represents the invoiced amount of goods sold to outside customers and is stated net of Value Added Tax.

(b) Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible assets over their expected useful lives. It is calculated at the following rates on a straight-line basis:-

Furniture, fixtures & fittings	10 / 14.2/7% pa
Office equipment	10 / 20% pa
Motor vehicles	33.1/3% pa

Assets acquired during the period have been depreciated by the relevant fraction of the rates.

(c) Stocks

Stocks are valued at the lower of cost and net realisable value on first in, first out principles.

(d) Deferred taxation

There is no provision in these financial statements for deferred taxation (see note 8(b)).

(e) Hire purchase interest

Hire purchase interest is deemed to accrue evenly over the life of each agreement.

SOUND ADVANTAGE PLC1. ACCOUNTING POLICIES (Continued)(f) Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year on which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, except when individual projects satisfy the following criteria: the project is clearly defined and related expenditure is separately identifiable; the project is technically feasible and commercially viable; current and future costs will be exceeded by future sales; and adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing when the company begins to benefit from the expenditure.

(g) Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor.

Depreciation on the relevant assets is charged to the profit and loss account. Lease payments are analysed between their capital and interest components on a straight-line basis. The interest is charged to the profit and loss account. The capital part reduces the amount payable to the lessor.

All other leases are treated as 'operating leases'. their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

2. Turnover and losses

The turnover and loss before taxation is attributable to one activity, the sale and distribution of environment aids and assistive devices for people who are deaf and hard of hearing. An analysis of turnover by geographical market is given below:-

United Kingdom

£ 237717
=====

SOUND ADVANTAGE PLC3. Distribution and Administrative expenses

Distribution costs	9294
Administrative expenses	<u>285848</u>
	£ 295142
	=====

Administration expenses include:

Hire of equipment (operating leases)	1299
Research and development expenditure	1681
Auditors' remuneration - audit services	4250
Depreciation of tangible fixed assets	<u>14425</u>

Depreciation includes £13013 charged on assets held under finance leases and hire purchase contracts.

4. Employees

The average weekly number of employees, excluding directors, during the period was as follows:-

	<u>No.</u>
Administration	6
Sales	3
Stock control	<u>1</u>
	10
	==

Staff costs, excluding directors, consist of:-

Wages and salaries	107386
Social security costs	<u>10332</u>
	£ 117718
	=====

SOUND ADVANTAGE PLC5. Directors

The particulars of directors emoluments are as follows:-

Amounts for services as directors	2333
Employers national insurance	<u>244</u>
	£ 2577
	=====

The emoluments of the chairman were £ nil. The highest paid director's emoluments were £2333. Other directors' emoluments fell within the range:

	<u>No.</u>
£ Nil to £5000	4
	==

6. Interest receivable

Short term bank deposit interest	£ 3687
	=====

7. Interest payable

Loans repayable within five years	2368
Finance leases	<u>2007</u>
	£ 4375
	=====

8. Taxation(a) Corporation Tax

In view of the trading loss there is no liability to Corporation Tax. There is a loss for tax purposes available to carry forward of approximately £249,000.

(b) Deferred Taxation

There is no provision in these Financial Statements for deferred taxation as the amount involved is covered by losses carried forward.

SOUND ADVANTAGE PLC9. Tangible Fixed Assets

	<u>Fixtures & Fittings</u>	<u>Office Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
Cost or Valuation:				
At 27.10.89	-	-	-	-
Additions	26795	35994	19750	82539
At 31.3.91	£ 26795	35994	19750	82539
Depreciation:				
At 27.10.89	-	-	-	-
Provision for Period	2889	4953	6583	14425
At 31.3.91	£ 2889	4953	6583	14425
Net Book Value				
At 31.3.91	£ 23906	31041	13167	68114

Included in the amounts above are the following amounts relating to leased assets and assets acquired under hire purchase contracts:-

	<u>Finance Leases</u>			<u>Hire Purchase Contracts</u>
	<u>Fixtures & Fittings</u>	<u>Office Equipment</u>	<u>Motor Vehicles</u>	<u>Office Equipment</u>
Cost:				
At 31st March 1991	11550	3859	19750	28150
Accumulated Depreciation:				
At 31st March 1991	1650	579	6583	4201
Net Book Value	£ 9900	3280	13167	£ 23949

SOUND ADVANTAGE PLC10. Stocks

Stocks comprise of goods held for re-sale.

11. Debtors

Due within one year:-

Trade debtors	100314
Call on unpaid share capital	37500
Prepayments and accrued income	<u>23033</u>
	£ 160847
	=====

12. Creditors - Amounts falling due within one year

Trade creditors	50657
Other creditors	2215
PAYE and social security	6232
Accruals and deferred income	38322
Obligations under finance leases and hire purchase contracts (See 13(b) below)	<u>20204</u>
	£ 117630
	=====

13. Creditors : amounts falling due after more than one year

Loan account : due to holding company (See (a) below)	358211
Obligations under finance leases and hire purchase contracts (See (b) below)	<u>22358</u>
	£ 380569
	=====

- (a) The loan due to the holding company was converted into share capital on 16th July 1991 (see Note 19). Until this date the amount of loan was interest-free.

SOUND ADVANTAGE PLC13. Creditors : amounts falling due after more than one year (Continued)

(b) Obligations under finance leases and hire purchase contracts are due as follows:-

	<u>Finance Leases</u>	<u>Hire Purchase Contracts</u>
Due within one year	11099	9105
Due within 2-5 years	<u>12835</u>	<u>9523</u>
	£ 23934	£ 18628
	=====	=====
Total of payments to be made	30003	23723
<u>Less:</u> Finance charges allocated to future periods	(<u>6069</u>)	(<u>5095</u>)
Included in creditor	£ 23934	£ 18628
	=====	=====

14. Share CapitalAuthorised:

1,000,000 ordinary shares of £1. each £ 1000000
=====

Allotted:

50,000 ordinary shares of £1 each - 1/4 paid 12500
Call on unpaid shares 37500
£ 50000
=====

The company issued 50,000 ordinary shares of £1 each upon incorporation. These shares were 1/4 paid in cash and 3/4 unpaid.

15. ReservesProfit and Loss Account

At 27th October 1989	-
Loss for the period	(241580)
At 31st March 1991	£(241580)
	=====

SOUND ADVANTAGE PLC16. Contingent liabilities

There were no contingent liabilities at the accounting date.

17. Commitments under operating leases

As at 31st March 1991, the company had annual commitments under non-cancellable operating leases as set out below:-

	<u>Land and Buildings</u>
Operating leases which expire:	
within one year	-
in two to five years	-
after five years	<u>32000</u>
	£ 32000
	=====

18. Capital commitment

The directors have contracted to purchase fixed assets under finance leases as follows:-

contracted	£ 23068
	=====
authorised by the directors but not contracted	£ Nil
	=====

SOUND ADVANTAGE PLC

19. Post balance sheet event

The company, which is a wholly-owned subsidiary of The Royal Institute for the deaf (RNID), has converted its loan with the RNID into share capital on the 16th July 1991. The balance of the loan at that date stood at £463,211 and hence the issued ordinary share capital is currently £475711 fully paid shares of £1 each.

20. Holding Company

Sound Advantage plc is a wholly-owned subsidiary of the Royal National Institute for the Deaf, a charity registered with the Charities Commission.