

Company Registration No. 2889377 (England and Wales)

**MASQUERADE MUSIC LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2004**



# MASQUERADE MUSIC LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	R H Martin D E Shepherd (Appointed 12 November 2003)
<b>Secretary</b>	Beach Secretaries
<b>Company number</b>	2889377
<b>Registered office</b>	The Studio Lynton Road Crouch End London N8 8SL
<b>Auditors</b>	Carter Backer Winter Enterprise House 21 Buckle Street London E1 8NN
<b>Business address</b>	33-35 Wembley Hill Road Wembley Middlesex HA9 8RT
<b>Bankers</b>	National Westminster Bank Plc 218 Upper Street Islington London N1 1SA
<b>Solicitors</b>	Beachcroft Wansbroughs 100 Fetter Lane London EC4A 1BN

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# MASQUERADE MUSIC LIMITED

## CONTENTS

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	Page
Directors' report	1
Independent auditors' report	2 - 3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 9

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# MASQUERADE MUSIC LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2004

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The directors present their report and financial statements for the year ended 31 March 2004.

### Principal activities

The principal activity of the company is the licensing and distribution of music produced by artists assigned to Death Row records label and other independent artists.

### Directors

The following directors have held office since 1 April 2003:

R H Martin	
D E Shepherd	(Appointed 12 November 2003)
K J Starkey	(Resigned 14 November 2003)

### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 March 2004	1 April 2003
R H Martin	-	-
D E Shepherd	-	-

### Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Carter Backer Winter be reappointed as auditors of the company will be put to the Annual General Meeting.

### Directors' responsibilities

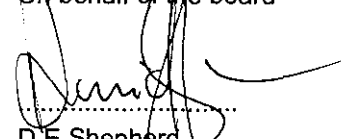
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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.

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

On behalf of the board

  
D E Shepherd  
Director  
26/11/2004

# **MASQUERADE MUSIC LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MASQUERADE MUSIC LIMITED**

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We have audited the financial statements of Masquerade Music Limited on pages 4 to 9 for the year ended 31 March 2004. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the directors and auditors**

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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.

# MASQUERADE MUSIC LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF MASQUERADE MUSIC LIMITED

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### Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the requirement of the company to obtain additional funds through an AIM floatation or other sources. Details of this fundamental uncertainty regarding the company's ability to continue as a going concern are described in note 1.1. Our opinion is not qualified in this respect.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Carter Backer Winter*

Carter Backer Winter

29 November 2004

Chartered Accountants  
Registered Auditor

Enterprise House  
21 Buckle Street  
London  
E1 8NN

# MASQUERADE MUSIC LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2004

		2004 £	2003 £
	Notes		
Turnover		1,582,807	672,780
Cost of sales		(655,239)	(357,756)
Gross profit		927,568	315,024
Administrative expenses		(1,683,269)	(576,662)
Operating loss	2	(755,701)	(261,638)
Interest payable and similar charges		(796)	-
Loss on ordinary activities before taxation		(756,497)	(261,638)
Tax on loss on ordinary activities	3	-	-
Loss on ordinary activities after taxation	10	(756,497)	(261,638)

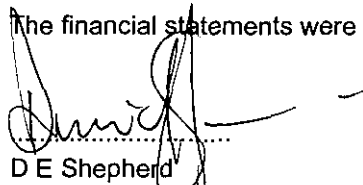
# MASQUERADE MUSIC LIMITED

## BALANCE SHEET AS AT 31 MARCH 2004

	Notes	2004 £	£	2003 £	£
<b>Fixed assets</b>					
Intangible assets	4		-		5,885
Tangible assets	5		9,662		6,750
			<u>9,662</u>		<u>12,635</u>
<b>Current assets</b>					
Stocks		234,483		20,040	
Debtors	6	396,964		361,958	
Cash at bank and in hand		16,483		74	
		<u>647,930</u>		<u>382,072</u>	
<b>Creditors: amounts falling due within one year</b>	7	<u>(600,316)</u>		<u>(406,200)</u>	
<b>Net current assets/(liabilities)</b>			<u>47,614</u>		<u>(24,128)</u>
<b>Total assets less current liabilities</b>			<u>57,276</u>		<u>(11,493)</u>
<b>Creditors: amounts falling due after more than one year</b>	8		<u>-</u>		<u>(249,734)</u>
			<u>57,276</u>		<u>(261,227)</u>
<b>Capital and reserves</b>					
Called up share capital	9	1,800,000		725,000	
Profit and loss account	10	(1,742,724)		(986,227)	
<b>Shareholders' funds</b>			<u>57,276</u>		<u>(261,227)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 26/11/2004 and signed on its behalf by

  
D E Shepherd  
Director



# MASQUERADE MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The company is in the process of obtaining funds from an AIM floatation or other sources. The company's ability to continue as a going concern is dependent upon the success of obtaining these additional funds.

#### 1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

#### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Motor vehicles	25% reducing balance
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#### 1.4 Stock

Stock is valued at the lower of cost and net realisable value.

### 2 Operating loss

	2004	2003
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	5,885	-
Depreciation of tangible assets	1,688	2,250
Directors' emoluments	97,000	27,500
	<u>          </u>	<u>          </u>

### 3 Taxation

On the basis of these financial statements there is no liability to corporation tax.

# MASQUERADE MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2004

### 4 Intangible fixed assets

	Development Costs £
<b>Cost</b>	
At 1 April 2003 & at 31 March 2004	5,885
<b>Amortisation</b>	
At 1 April 2003	-
Charge for the year	5,885
At 31 March 2004	5,885
<b>Net book value</b>	
At 31 March 2004	-
At 31 March 2003	5,885

### 5 Tangible fixed assets

	Plant and machinery etc £
<b>Cost</b>	
At 1 April 2003	9,000
Additions	4,600
At 31 March 2004	13,600
<b>Depreciation</b>	
At 1 April 2003	2,250
Charge for the year	1,688
At 31 March 2004	3,938
<b>Net book value</b>	
At 31 March 2004	9,662
At 31 March 2003	6,750

# MASQUERADE MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2004

<b>6 Debtors</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Trade debtors	163,768	253,159
Other debtors	233,196	108,799
	<u>396,964</u>	<u>361,958</u>
<b>7 Creditors: amounts falling due within one year</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Trade creditors	129,879	185,402
Taxation and social security	254,973	121,659
Other creditors	215,464	99,139
	<u>600,316</u>	<u>406,200</u>
<b>8 Creditors: amounts falling due after more than one year</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Other creditors	-	249,734
	<u>-</u>	<u>249,734</u>
<b>Analysis of loans</b>		
Wholly repayable within five years	200,000	249,734
Included in current liabilities	(200,000)	-
	<u>-</u>	<u>249,734</u>
<b>9 Share capital</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
2,000,000 Ordinary shares of £1 each	2,000,000	1,000,000
	<u>2,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
1,800,000 Ordinary shares of £1 each	1,800,000	725,000
	<u>1,800,000</u>	<u>725,000</u>

The company allotted 1,075,000 £1 Ordinary shares in order to convert a long term loan brought forward as at 1 April 2003 in the sum of £249,734 and additional amounts lent to the company of £825,266.

# MASQUERADE MUSIC LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

### 10 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 2003	(986,227)
Retained loss for the year	(756,497)
	<u>          </u>
Balance at 31 March 2004	<u>(1,742,724)</u>

### 11 Financial commitments

At 31 March 2004 the company had annual commitments under non-cancellable operating leases as follows:

	2004 £	2003 £
Expiry date:		
Within one year	3,233	-
Between two and five years	16,903	12,632
	<u>20,136</u>	<u>12,632</u>

### 12 Control

The ultimate controlling party is Ambitious Management Limited.