

EXHIBIT C1

Audit Guidelines Super Audio CD Player Patent License Agreement

These audit guidelines are designed to lay down basic elements for the audits to be performed by Licensee's auditors.

1. Auditor's qualifications

Licensee's auditor who issues the auditor's opinion on the royalty statement (refer to 2) shall be the same as the auditor who issues an auditors' opinion on the financial statements of Licensee.

- the auditor shall be a certified public accountant in the country concerned, and a member of a well-respected firm, preferably one of the big 5 internationally operating auditing firms.
- the auditor shall be a member of the CPA association in the country concerned, or a member of the auditors' association in the Netherlands, UK or USA.

2. Opinion

The auditor's opinion on the royalty statement, as described below, shall read as follows:

Independent Auditor's Report

The Board of Directors
<XYZ Corporation >

We have audited the accompanying royalty statements, duly initialed by us, applicable to the Super Audio CD player production of <XYZ Corporation > for the year ending December 31, 200x, under the terms of a license agreement dated Month xx, 20XX, between <Philips Company > and <XYZ Corporation >. These schedules are the responsibility of <XYZ Corporation's > management. Our responsibility is to express an opinion on these schedules based on our audit.

We have conducted our audit in accordance with generally accepted international auditing standards and the Audit Guidelines for the Super Audio CD Player Patent License Agreement. These standards and guidelines require that we plan and perform the audit in order to obtain reasonable assurance as to whether the schedules are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the royalty statements referred to above present fairly, in all material respects, the number of Super Audio CD players produced by <XYZ Corporation > during the year ending December 31, XXXX and the amount of royalties applicable thereto, under the license agreement referred to above.

This report is intended solely for use by the boards of directors and management of <XYZ Corporation > and <Philips Company >.

(signed) audit firm

city, Month xx, 20xx

Enclosures: Royalty statements (xx pages)

Royalty Statements

The royalty statements shall contain the information in accordance with the table as given in Exhibit C2.

Reference copy

3. Work papers

General

- The auditor of Licensee shall comply with the auditor's independence rules as promulgated by the SEC.
- The auditor appointed by Philips shall be given full access, without limitation, to the work papers.
- The work papers shall include a clear overview of the legal and organizational structure of Licensee's company and the group of companies of which Licensee is part together with an overview of Licensee's manufacturing locations.

Royalty statements

The work papers with respect to royalty statements shall include:

- a copy of the royalty statements under review.
- a copy of the Super Audio CD Player Patent License Agreement including, relevant related correspondence.
- the maximum manufacturing capacity of Super Audio CD players of Licensee and reconciliation hereof with the property, plant and equipment accounts in the financial statements.
- The reconciliation of the maximum manufacturing capacity with the actual output and the royalty statements.
- copies of the internal manufacturing output recording system per month and key performance indicators such as: rejections, daily output, machine service hours, idle hours and reconciliation with the royalty statements.
- an analysis of optical pick-up units purchased/manufactured, purchase recording system, suppliers overview and the financial statements.
- an analysis regarding the cut-off procedures applied for the period.
- the reconciliation of the volume of Super Audio CD players manufactured with sales and purchases in the period under review (goods movement schedule).

- a planning document assessing the risk areas in the audit, a working program, an audit memorandum including salient features.

4. Work paper review

The work paper review will be performed at the offices of Licensee's auditor. The auditors appointed by Philips shall be granted unlimited access to all work papers of Licensee's auditor. The auditor appointed by Philips shall be allowed to make copies of the work papers where considered necessary by him/her. The auditor appointed by Philips will report his findings to Philips in a report or letter format.

Reference copy

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