

REPORT AND FINANCIAL STATEMENTS
FOR
HIGHLANDER MUSIC LIMITED
FOR THE 14 MONTHS PERIOD 28th FEBRUARY 1997

COMPANY NO: SC 160421



Phipp and Company,
Chapelhill Manse,
Nigg, Tain,
Ross-shire

HIGHLANDER MUSIC LIMITED
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HIGHLANDER MUSIC LIMITED
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DIRECTORS' REPORT

Directors: William Crawford
Mairi Crawford
Secretary: Mairi Crawford

The Directors submit their report and audited accounts of the Company for the 14 months period 1st January 1996 to 28th February 1997.

RESULTS AND DIVIDENDS

The result for the period is a pre-tax trading loss amounting to £ 30477.56, which was increased to £ 32470.21, after the inclusion of a loss on disposal of a motor vehicle, which had been involved in an accident. The detail is as shown in the profit and loss account. No dividend is recommended.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS DEVELOPMENTS

The Company is engaged in the production, sale and distribution of compact discs, video and audio cassettes, and books relating to Scottish dance and traditional music. Outlets include tourist offices and shops throughout the United Kingdom, and overseas. No significant business developments are anticipated in the foreseeable future.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors' interests in the share capital of the Company during the period under review were as follows:

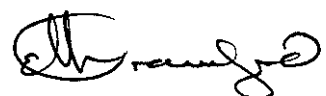
	1997 -----
William Crawford	5000 shares
Mairi Crawford	5000 shares

AUDITORS

Messrs. Phipp and Company have expressed their willingness to continue in office and a resolution proposing their re-appointment as auditors will be submitted at the Annual General Meeting.

BY ORDER OF THE BOARD

Secretary

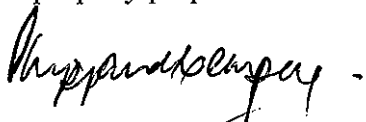


HIGHLANDER MUSIC LIMITED

REPORT OF THE AUDITORS

We have audited the accounts set out on pages 3 to 9 in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of the affairs of the Company as at 28th February 1997, and of the loss for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.


Phipp and Company,
Chapelhill Manse,
Nigg,
Ross-shire

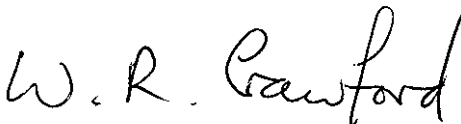
26th May 1997

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:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements;
- d) 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 the 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.



HIGHLANDER MUSIC LIMITED

BALANCE SHEET as at 28th FEBRUARY 1997

	Notes	28.2.97
FIXED ASSETS		
Tangible Assets	1	24666
CURRENT ASSETS		
Stock	3	46214
Debtors	11	18503
Cash in Hand and at Bank		20
		64737
CREDITORS: amounts falling within one year	12	51308
NET CURRENT ASSETS		13429
TOTAL ASSETS LESS CURRENT LIABILITIES		38095
CREDITORS: amounts falling due after more than one year: Highland Prospect Ltd		-26699
		11396
REPRESENTED BY: CAPITAL AND RESERVES		
Share Capital	6	10000
Directors' Loans		34136
Profit & Loss Account		-32740
		11396

Signed

W.R. Gawford
Director

Signed

Elthamgo
Director

HIGHLANDER MUSIC LIMITED

PROFIT AND LOSS ACCOUNT for the period ended 28th February 1997

	1997
TURNOVER	117873
Change in Stocks of finished goods and work in progress	-46214
Other Operating Income	0
Raw Materials and consumables	99681
Other external charges	36546
Staff Costs	26040
Depreciation and Amortisation	10321
Other Operating Charges	18667
	145041
OPERATING PROFIT (LOSS)	-27168
Profit (Loss) on disposal of tangible fixed assets	-2262
Profit (Loss) on disposal of fixed asset investments	0
	-2262
Income from Investments	0
Bank Interest Receivable	0
Interest Payable and similar charges	-3310
	-3310
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	-32740
Tax on profit on ordinary activities	0
PROFIT FOR THE FINANCIAL YEAR	-32740
Dividends: preference dividends on non-equity shares	0
ordinary dividends on equity shares	0
Other appropriations: non-equity shares	0
PROFIT (LOSS) RETAINED FOR THE FINANCIAL YEAR	-32740

HIGHLANDER MUSIC LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS as at 28.2.97

	1997
SOURCE OF FUNDS	
From Operations	-32740
Share Capital Issued	10000
Directors' Loans	34136
Loans Received: Highland Prospect	36000
ADD: Items not involving movement of funds:	
Depreciation	10321
	57717
APPLICATION OF FUNDS	
Purchase of Fixed Assets	-39249
Repayment of Loans	-5039
	-44288
	13429
MOVEMENT IN WORKING CAPITAL	
Increase/(Decrease) in Stock	46214
Increase/(Decrease) in Debtors	18503
Increase/(Decrease) in Net Cash Balances	-24511
(Increase)/Decrease in Creditors	-23179
(Increase)/Decrease in Taxation	1545
(Increase)/Decrease in Loans	-5143
	13429

NOTES TO THE ACCOUNTS for the period ended 28th February 1997

1. FIXED ASSETS

	Office Equipment	Fixtures & Equipment	Motor Vehicles	Total
COST				
Opening Balance	0	0	0	0
Additions	18607	702	19940	39249
Disposals	0	0	-5844	-5844
	18607	702	14096	33405
DEPRECIATION				
Opening Balance	0	0	0	0
Charge for the period	4341	164	5816	10321
Withdrawn	0	0	-1582	-1582
	4341	164	4234	8739
NET BOOK VALUE				
28.2.97	14266	538	9862	24666

2. ACCOUNTING POLICIES

a) Basis of Accounting

The Accounts are prepared under the historical cost accounting convention, and in accordance with applicable accounting standards.

b) Turnover

Turnover represents the invoice value of goods supplied by the Company, stated net of Value Added Tax. All turnover is generated from within Scotland.

c) Depreciation

Depreciation is provided on tangible assets, to write off the cost of the assets over their expected useful lives, at the following rates, on a straight-line basis:

Office Equipment	20% per annum
Fixtures, Fittings & Equipment	20% per annum
Motor Vehicles	25% per annum

HIGHLANDER MUSIC LIMITED

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NOTES TO THE ACCOUNTS for the period ended 28.2.97

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3. STOCK

Stock is stated at the lower of cost and net realisable value, with due allowance for any obsolete and slow-moving items.

4. STAFF COSTS

The average number of employees during the period under review was 1 (one).

	1997

Wages (inc Emp NI)	3795
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5. TAXATION

No provision for Corporation Tax has been made due to the losses incurred.

6. CALLED UP SHARE CAPITAL

Authorised, Issued and Fully Paid	1997

10000 Ordinary Shares of £1 each	10000
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7. SECURITY GIVEN - LOANS, etc

The overdraft is secured on shares in United Biscuits, held by the Bank.

The loan from Highland Prospect Limited is secured on shares in United Biscuits, held by Highland Prospect Limited.

8. CONTINGENT LIABILITIES

There were no contingent liabilities at the Balance Sheet date.

HIGHLANDER MUSIC LIMITED

NOTES TO THE ACCOUNTS for the period ended 28.2.97

9. EMOLUMENTS OF DIRECTORS

	1997

Remuneration	22245
Ex-Gratia payments	-

	22245
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The emoluments of the Directors of the Company were as follows:

	1997

Chairman and highest paid Director (exc. Emp.NI)	10800
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Other Directors in scale:	Number of Directors
£ 5001 to £ 10000	1
£ 10001 to £ 15000	-

10. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION is stated after charging:

	1997

Directors' Remuneration	22245
Auditor's Remuneration	1000
Depreciation	10321
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11. CURRENT ASSETS

Stock	46214
Trade Debtors	18462
Other Debtors & Prepayments	41
Cash in Hand	20

	64737
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HIGHLANDER MUSIC LIMITED

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NOTES TO THE ACCOUNTS for the period ended 28th February 1997

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12. CURRENT LIABILITIES

Bank Overdraft	24531
Trade Creditors	19164
Other Creditors & Accruals	4015
Inland Revenue - PAYE/NIC	274
H.M. Customs - VAT	(1819)
Loan Account - Highland Prospect	5143

	51308
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