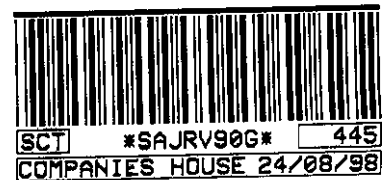


REPORT AND FINANCIAL STATEMENTS  
FOR  
HIGHLANDER MUSIC LIMITED  
FOR THE 1 MONTH ENDED 31st MARCH 1997

COMPANY NO: SC 160421

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

*h*



# HIGHLANDER MUSIC LIMITED

---

| CONTENTS                                     | PAGE   |
|----------------------------------------------|--------|
| -----                                        | -----  |
| GENERAL INFORMATION                          | 1      |
| REPORT OF THE DIRECTORS                      | 2 - 3  |
| REPORT OF THE AUDITOR                        | 4      |
| BALANCE SHEET                                | 5      |
| PROFIT AND LOSS ACCOUNT                      | 6      |
| STATEMENT OF SOURCE AND APPLICATION OF FUNDS | 7      |
| NOTES TO THE ACCOUNTS                        | 8 - 11 |
| TAX COMPUTATIONS                             |        |

HIGHLANDER MUSIC LIMITED

---

GENERAL INFORMATION

---

DIRECTORS: Mr. William Crawford  
Mrs. Mairi Crawford

SECRETARY: Mrs. Mairi Crawford

REGISTERED OFFICE: Upper Leanassie,  
Kilmorack,  
Beauly,  
INVERNESS-SHIRE.

COMPANY REGISTRATION NUMBER:  
SCO 160421

BANKERS: Bank of Scotland,  
High Street,  
Beauly,  
INVERNESS-SHIRE.

AUDITORS: Messrs. Phipp and Company,  
Chapelhill Manse,  
Nigg,  
Tain,  
ROSS-SHIRE.

## HIGHLANDER MUSIC LIMITED

### REPORT OF THE DIRECTORS

The Directors submit their report and audited accounts of the Company for the 1 month period 1st March 1997 to 31st March 1997.

### RESULTS AND DIVIDENDS

The result for the period is a pre-tax trading profit amounting to £ 6638.56. After adjusting for dis-allowable expenditure and allowances, there is no liability to Corporation Tax. 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:

|                  | 31.3.97 | 28.2.97 |
|------------------|---------|---------|
|                  | -----   | -----   |
| William Crawford | 5000    | 5000    |
| Mairi Crawford   | 5000    | 5000    |

### DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period, that give a true and fair view of the state of the affairs of the company and of the surplus or deficit of the company for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

HIGHLANDER MUSIC LIMITED

REPORT OF THE DIRECTORS (continued)

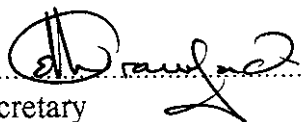
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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

BY ORDER OF THE BOARD

  
Secretary

15th June 1998

HIGHLANDER MUSIC LIMITED  
=====

REPORT OF THE AUDITOR - to the Members of Highlander Music Limited  
=====

We have audited the accounts set out on pages 5 to 11, in accordance with approved auditing standards, and following the accounting policies set out on page 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS  
-----

As described on Page 2, the directors are responsible for the preparation of the accounts.

It is our responsibility to form an independent opinion, based on our audit, on those Accounts and 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 Accounts. It also includes an assessment of the significant estimates, if any, and judgements made by the directors in the preparation of the Accounts, and 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 Accounts are free from material misstatements, 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 Accounts.

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st March 1997, and of its deficit for the period then ended, and have been properly prepared in accordance with the provisions of the Companies Act 1985, applicable to small companies.



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

5th June 1998

## HIGHLANDER MUSIC LIMITED

## BALANCE SHEET as at 31st MARCH 1997

|                                                                                | Notes | 31.3.97 | 28.2.97 |
|--------------------------------------------------------------------------------|-------|---------|---------|
| FIXED ASSETS                                                                   |       |         |         |
| Tangible Assets                                                                | 1     | 23937   | 24666   |
| CURRENT ASSETS                                                                 |       |         |         |
| Stock                                                                          | 3     | 52714   | 46214   |
| Debtors                                                                        | 11    | 21516   | 18503   |
| Cash in Hand and at Bank                                                       |       | 20      | 20      |
|                                                                                |       | 74250   | 64737   |
| CREDITORS: amounts falling within one year                                     | 12    | 56753   | 51308   |
| NET CURRENT ASSETS                                                             |       | 17497   | 13429   |
| TOTAL ASSETS LESS CURRENT LIABILITIES                                          |       | 41434   | 38095   |
| CREDITORS: amounts falling due after more than one year: Highland Prospect Ltd |       | -24013  | -26699  |
|                                                                                |       | 17421   | 11396   |

## REPRESENTED BY: CAPITAL AND RESERVES

|                       |         |        |        |
|-----------------------|---------|--------|--------|
| Share Capital         | 6       | 10000  | 10000  |
| Directors' Loans      |         | 33522  | 34136  |
| Profit & Loss Account | B/Fwd   | -32740 | 0      |
|                       | 31.3.97 | 6639   | -32740 |
|                       |         | -26101 | -32740 |
|                       |         | 17421  | 11396  |

Signed

*W. R. Gawford*  
Director

Signed

*John Gange*  
Director

## HIGHLANDER MUSIC LIMITED

## PROFIT AND LOSS ACCOUNT for the 1Month ended 31st MARCH 1997

|                                                         | 1 Month to<br>31.3.97 | 14 Months to<br>28.2.97 |
|---------------------------------------------------------|-----------------------|-------------------------|
| TURNOVER                                                | 16322                 | 117873                  |
| Change in Stocks of finished goods and work in progress | -6500                 | -46214                  |
| Other Operating Income                                  | -1206                 | 0                       |
| Raw Materials and consumables                           | 11553                 | 99681                   |
| Other external charges                                  | 0                     | 36546                   |
| Staff Costs                                             | 2315                  | 26040                   |
| Depreciation and Amortisation                           | 729                   | 10321                   |
| Other Operating Charges                                 | 2007                  | 18667                   |
|                                                         | 8898                  | 145041                  |
| OPERATING PROFIT (LOSS)                                 | 7424                  | -27168                  |
| Profit (Loss) on disposal of tangible fixed assets      | 0                     | -2262                   |
| Profit (Loss) on disposal of fixed asset investments    | 0                     | 0                       |
|                                                         | 0                     | -2262                   |
| Income from Investments                                 | 0                     | 0                       |
| Bank Interest Receivable                                | 0                     | 0                       |
| Interest Payable and similar charges                    | -785                  | -3310                   |
|                                                         | -785                  | -3310                   |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION           | 6639                  | -32740                  |
| Tax on profit on ordinary activities                    | 0                     | 0                       |
| PROFIT FOR THE FINANCIAL YEAR                           | 6639                  | -32740                  |
| Dividends: preference dividends on non-equity shares    | 0                     | 0                       |
| ordinary dividends on equity shares                     | 0                     | 0                       |
| Other appropriations: non-equity shares                 | 0                     | 0                       |
| PROFIT (LOSS) RETAINED FOR THE FINANCIAL YEAR           | 6639                  | -32740                  |

## HIGHLANDER MUSIC LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS as at 31st MARCH 1997

|                                             |         |         |
|---------------------------------------------|---------|---------|
|                                             | 31.3.97 | 28.2.97 |
|                                             | -----   | -----   |
| SOURCE OF FUNDS                             |         |         |
| From Operations                             | 6639    | -32740  |
| Share Capital Issued                        | 0       | 10000   |
| Directors' Loans                            | 0       | 34136   |
| Loans Received: Highland Prospect           | 2000    | 36000   |
| ADD: Items not involving movement of funds: |         |         |
| Depreciation                                | 729     | 10321   |
|                                             | -----   | -----   |
|                                             | 9368    | 57717   |
| APPLICATION OF FUNDS                        |         |         |
| Purchase of Fixed Assets                    | 0       | -39249  |
| Repayment of Loans                          | -382    | -5039   |
|                                             | -----   | -----   |
|                                             | -382    | -44288  |
|                                             | -----   | -----   |
|                                             | 8986    | 13429   |
|                                             | =====   | =====   |
| MOVEMENT IN WORKING CAPITAL                 |         |         |
| Increase/(Decrease) in Stock                | 6500    | 46214   |
| Increase/(Decrease) in Debtors              | 3013    | 18503   |
| Increase/(Decrease) in Net Cash Balances    | -3247   | -24511  |
| (Increase)/Decrease in Creditors            | 3267    | -23179  |
| (Increase)/Decrease in Taxation             | -547    | 1545    |
| (Increase)/Decrease in Loans                | 0       | -5143   |
|                                             | -----   | -----   |
|                                             | 8986    | 13429   |
|                                             | =====   | =====   |

## NOTES TO THE ACCOUNTS for the 1 month ended 31st MARCH 1997

## 1. FIXED ASSETS

|                            | Office<br>Equipment | Fixtures &<br>Equipment | Motor<br>Vehicles | Total |
|----------------------------|---------------------|-------------------------|-------------------|-------|
| COST                       |                     |                         |                   |       |
| Opening Balance            | 18607               | 702                     | 14096             | 33405 |
| Additions                  | 0                   | 0                       | 0                 | 0     |
| Disposals                  | 0                   | 0                       | 0                 | 0     |
|                            | 18607               | 702                     | 14096             | 33405 |
| DEPRECIATION               |                     |                         |                   |       |
| Opening Balance            | 4341                | 164                     | 4234              | 8739  |
| Charge for the period      | 302                 | 12                      | 415               | 729   |
| Withdrawn                  | 0                   | 0                       | 0                 | 0     |
|                            | 4643                | 176                     | 4649              | 9468  |
| NET BOOK VALUE<br>31.3 97  | 13964               | 526                     | 9447              | 23937 |
| NET BOOK VALUE<br>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

NOTES TO THE ACCOUNTS for the 1 Month ended 31st MARCH 1997

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 3 ( Three).

5. TAXATION

No provision for Corporation Tax has been made, as capital allowances have been utilised in the period under review, and because of losses brought forward.

6. CALLED UP SHARE CAPITAL

Authorised, Issued and Fully Paid.

|                                   |         |         |
|-----------------------------------|---------|---------|
|                                   | 31.3.97 | 28.2.97 |
|                                   | -----   | -----   |
| 10,000 Ordinary Shares of £1 each | £10,000 | £10,000 |
|                                   | =====   | =====   |

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 1 Month ended 31st MARCH 1997

### 9. EMOLUMENTS OF THE DIRECTORS

|                    | 31.3.97 | 28.2.97 |
|--------------------|---------|---------|
| Remuneration       | 1712    | 22245   |
| Ex-Gratia Payments | -       | -       |
|                    | 1712    | 22245   |

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

|                                    | 31.3.97             | 28.2.97 |
|------------------------------------|---------------------|---------|
| Chairman and Highest Paid Director | 856                 | 10800   |
| Other Directors in scale:          | Number of Directors |         |
| £ 1 to £ 5000                      | 0                   | 1       |
| £ 5001 to £ 10000                  | 0                   | 0       |
| £ 10001 to £ 15000                 | 0                   | 0       |

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

|                         | 31.3.97 | 28.2.97 |
|-------------------------|---------|---------|
| Directors' Remuneration | 1712    | 22245   |
| Auditor's Remuneration  | 77      | 1000    |
| Depreciation            | 729     | 10321   |

### 11. CURRENT ASSETS

|                             | 31.3.97 | 28.2.97 |
|-----------------------------|---------|---------|
| Stock                       | 52714   | 46214   |
| Trade Debtors               | 20614   | 18462   |
| Other Debtors & Prepayments | 902     | 41      |
| Cash in Hand                | 20      | 20      |
|                             | 74250   | 64737   |

=====

## HIGHLANDER MUSIC LIMITED

=====

NOTES TO THE ACCOUNTS for the 1 Month ended 31st MARCH 1998

=====

## 12. CURRENT LIABILITIES

|                                  | 31.3.97 | 28.2.97 |
|----------------------------------|---------|---------|
|                                  | -----   | -----   |
| Bank Overdraft                   | 27778   | 24531   |
| Trade Creditors                  | 19176   | 19164   |
| Other Creditors & Accruals       | 2564    | 4015    |
| Inland Revenue - PAYE/NIC        | 274     | 274     |
| H.M.Customs - VAT                | 1818    | -1819   |
| Loan Account - Highland Prospect | 5143    | 5143    |
| Corporation Tax                  | 0       | 0       |
|                                  | -----   | -----   |
|                                  | 56753   | 51308   |
|                                  | =====   | =====   |