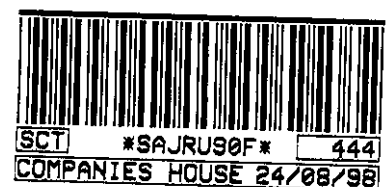


REPORT AND FINANCIAL STATEMENTS
FOR
HIGHLANDER MUSIC LIMITED
FOR THE YEAR ENDED 31st MARCH 1998

COMPANY NO: SC 160421

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

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HIGHLANDER MUSIC LIMITED
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HIGHLANDER MUSIC LIMITED

GENERAL INFORMATION

DIRECTORS: Mr. William Crawford
Mrs. Mairi Crawford

SECRETARY: Mrs. Mairi Crawford

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

COMPANY REGISTRATION NUMBER:
SCO 160421

BANKERS: Bank of Scotland,
High Street,
Beaully,
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 year ended 31st March 1998.

RESULTS AND DIVIDENDS

The result for the period is a pre-tax trading loss amounting to £ 6935.03. 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:

	1998	1997
	-----	-----
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)

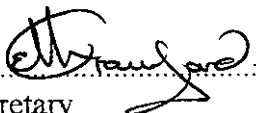
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the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

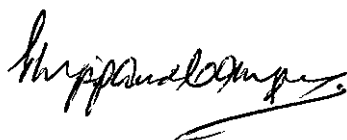
It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to you.

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 1998, 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 1998

	Notes	1998	1997
FIXED ASSETS			
Tangible Assets	1	14803	23937
CURRENT ASSETS			
Stock	3	53498	52714
Debtors	11	25862	21516
Cash in Hand and at Bank		20	20
		79380	74250
CREDITORS: amounts falling within one year	12	59827	56753
NET CURRENT ASSETS		19553	17497
TOTAL ASSETS LESS CURRENT LIABILITIES		34356	41434
CREDITORS: amounts falling due after more than one year: Highland Prospect Ltd		-23717	-24013
		10639	17421

REPRESENTED BY: CAPITAL AND RESERVES

Share Capital	6	10000	10000
Directors' Loans		33675	33522
Profit & Loss Account	B/Fwd	-26101	-32740
	31.3.98	-6935	6639
		-33036	-26101
		10639	17421

Signed

W. R. Pawford
Director

Signed

Atkinson
Director

HIGHLANDER MUSIC LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st MARCH 1998

	1998	1997
TURNOVER	195873	16322
Change in Stocks of finished goods and work in progress	-784	-6500
Other Operating Income	-5000	-1206
Raw Materials and consumables	138647	11553
Other external charges	0	0
Staff Costs	27786	2315
Depreciation and Amortisation	8750	729
Other Operating Charges	24087	2007
	193486	8898
OPERATING PROFIT (LOSS)	2387	7424
Profit (Loss) on disposal of tangible fixed assets	96	0
Profit (Loss) on disposal of fixed asset investments	0	0
	96	0
Income from Investments	0	0
Bank Interest Receivable	0	0
Interest Payable and similar charges	-9418	-785
	-9418	-785
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	-6935	6639
Tax on profit on ordinary activities	0	0
PROFIT FOR THE FINANCIAL YEAR	-6935	6639
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	-6935	6639

HIGHLANDER MUSIC LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS as at 31st MARCH 1998

	1998	1997
	-----	-----
SOURCE OF FUNDS		
From Operations	-7031	6639
Share Capital Issued	0	0
Directors' Loans	0	0
Loans Received: Highland Prospect	0	2000
ADD: Items not involving movement of funds:		
Depreciation	8750	729
	-----	-----
	1719	9368
APPLICATION OF FUNDS		
Purchase of Fixed Assets	0	0
Repayment of Loans	-4581	-382
	-----	-----
	-4581	-382
	-----	-----
	-2862	8986
	=====	=====
MOVEMENT IN WORKING CAPITAL		
Increase/(Decrease) in Stock	784	6500
Increase/(Decrease) in Debtors	4346	3013
Increase/(Decrease) in Net Cash Balances	-1358	-3247
(Increase)/Decrease in Creditors	-4085	3267
(Increase)/Decrease in Taxation	-2549	-547
(Increase)/Decrease in Loans	0	0
	-----	-----
	-2862	8986
	=====	=====

NOTES TO THE ACCOUNTS for the year ended 31st MARCH 1998

1. FIXED ASSETS

	Office Equipment	Fixtures & Equipment	Motor Vehicles	Total
COST				
Opening Balance	18607	702	14096	33405
Additions	0	0	0	0
Disposals	-480	0	0	-480
	18127	702	14096	32925
DEPRECIATION				
Opening Balance	4643	176	4649	9468
Charge for the period	3625	140	4985	8750
Withdrawn	-96	0	0	-96
	8172	316	9634	18122
NET BOOK VALUE 31.3 98	9955	386	4462	14803
NET BOOK VALUE 31.3 97	13964	526	9447	23937

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 year ended 31st MARCH 1998

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.

	1998	1997
	-----	-----
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 year ended 31st MARCH 1998

9. EMOLUMENTS OF THE DIRECTORS

	1998	1997
	-----	-----
Remuneration	20542	1712
Ex-Gratia Payments	-	-
	-----	-----
	20542	1712
	=====	=====

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

	1998	1997
	-----	-----
Chairman and Highest Paid Director	10267	856
	=====	=====
Other Directors in scale:	Number of Directors	
£ 1 to £ 5000	0	1
£ 5001 to £ 10000	1	0
£ 10001 to £ 15000	0	0

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

	1998	1997
	-----	-----
Directors' Remuneration	20542	1712
Auditor's Remuneration	923	77
Depreciation	8750	729
	=====	=====

11. CURRENT ASSETS

	1998	1997
	-----	-----
Stock	53498	52714
Trade Debtors	24921	20614
Other Debtors & Prepayments	941	902
Cash in Hand	20	20
	-----	-----
	79380	74250
	=====	=====

HIGHLANDER MUSIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st MARCH 1998

12. CURRENT LIABILITIES

	1998	1997
Bank Overdraft	29136	27778
Trade Creditors	22938	19176
Other Creditors & Accruals	1059	2564
Inland Revenue - PAYE/NIC	581	274
H.M.Customs - VAT	970	1818
Loan Account - Highland Prospect	5143	5143
Corporation Tax	0	0
	59827	56753