

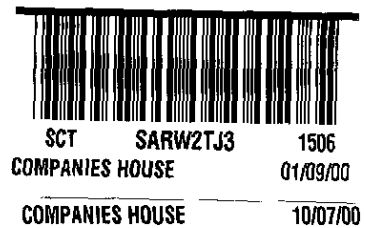
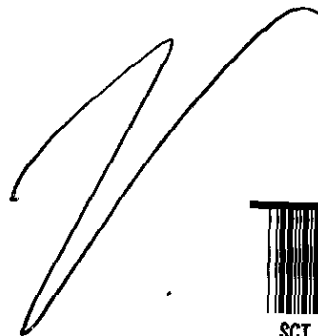
REPORT AND FINANCIAL STATEMENTS

FOR

HIGHLANDER MUSIC LIMITED

FOR THE YEAR ENDED 31st MARCH 2000

COMPANY NO: SC 160421



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

HIGHLANDER MUSIC LIMITED

<u>CONTENTS</u>	<u>PAGE</u>
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 Leanssie,
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 year ended 31st March 2000.

RESULTS AND DIVIDENDS

The result for the period is a pre-tax trading profit amounting to £ 3310.16. 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:

	2000	1999
	-----	-----
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)

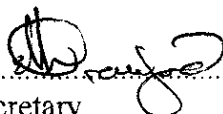
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the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

30th June 2000

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.

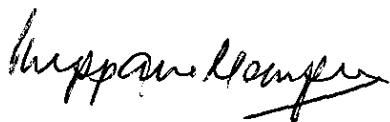
It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to you.

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 2000, and of its profit 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

19th June 2000

HIGHLANDER MUSIC LIMITED

BALANCE SHEET as at 31st MARCH 2000

	Notes	2000	1999
FIXED ASSETS			
Tangible Assets	1	32679	23512
CURRENT ASSETS			
Stock	3	52179	66985
Debtors		51804	39997
Cash in Hand and at Bank		60	60
	10	104043	107042
CREDITORS: amounts falling within one year	11	77993	84994
NET CURRENT ASSETS		26050	22048
TOTAL ASSETS LESS CURRENT LIABILITIES		58729	45560
CREDITORS: amounts falling due after more than one year: Highland Prospect Ltd		-17450	-19086
		41279	26474

REPRESENTED BY: CAPITAL AND RESERVES

Share Capital	6	10000	10000
Directors' Loans		54901	43406
Profit & Loss Account	B/Fwd	-26932	-33036
	31.3.2000	3310	6104
		-23622	-26932
		41279	26474

Signed

W R Crawford
Director

Signed

[Signature]
Director

HIGHLANDER MUSIC LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st MARCH 2000

	2000	1999
TURNOVER	378862	278572
Change in Stocks of finished goods and work in progress	14806	13487
Other Operating Income	-2500	-2500
Raw Materials and consumables	270452	177728
Other external charges	0	0
Staff Costs	30330	28412
Depreciation and Amortisation	11959	7480
Other Operating Charges	22985	37847
	348032	262454
OPERATING PROFIT (LOSS)	30830	16118
Profit (Loss) on disposal of tangible fixed assets	0	92
Profit (Loss) on disposal of fixed asset investments	0	0
	0	92
Income from Investments	0	0
Bank Interest Receivable	0	0
Interest Payable and similar charges	-27520	-10106
	-27520	-10106
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3310	6104
Tax on profit on ordinary activities	0	0
PROFIT FOR THE FINANCIAL YEAR	3310	6104
Dividends: <i>preference dividends on non-equity shares</i>	0	0
<i>ordinary dividends on equity shares</i>	0	0
Other appropriations: non-equity shares	0	0
PROFIT (LOSS) RETAINED FOR THE FINANCIAL YEAR	3310	6104

HIGHLANDER MUSIC LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS as at 31st MARCH 2000

	2000	1999
SOURCE OF FUNDS		
From Operations	3310	6104
Share Capital Issued	0	0
Directors' Loans	11495	9823
Loans Received: Highland Prospect	0	0
ADD: Items not involving movement of funds:		
Depreciation	11959	7480
	26764	23407
APPLICATION OF FUNDS		
Purchase of Fixed Assets	-21126	-16281
Repayment of Loans	-1636	-4631
	-22762	-20912
	4002	2495
MOVEMENT IN WORKING CAPITAL		
Increase/(Decrease) in Stock	-14806	13487
Increase/(Decrease) in Debtors	11807	14135
Increase/(Decrease) in Net Cash Balances	29905	-8373
(Increase)/Decrease in Creditors	-17997	-18202
(Increase)/Decrease in Taxation	-4907	1448
(Increase)/Decrease in Loans	0	0
	4002	2495

NOTES TO THE ACCOUNTS for the year ended 31st MARCH 2000

1. FIXED ASSETS

	Office Equipment	Fixtures & Equipment	Motor Vehicles	Plant & Equipment	Total
COST					
Opening Balance	18127	702	14811	1470	35110
Additions	0	0	12845	8281	21126
Disposals	0	0	0	0	0
	18127	702	27656	9751	56236
DEPRECIATION					
Opening Balance	10987	420	0	191	11598
Charge for the year	3625	140	6915	1279	11959
Withdrawn	0	0	0	0	0
	14612	560	6915	1470	23557
NET BOOK VALUE					
31.3.2000	3515	142	20741	8281	32679
NET BOOK VALUE					
31.3.1999	7140	282	14811	1279	23512

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 2000

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.

	2000	1999
	-----	-----
10,000 Ordinary Shares of £1 each	£10,000	£10,000
	=====	=====

7. CONTINGENT LIABILITIES

There were no contingent liabilities at the Balance Sheet date.

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

	2000	1999
	-----	-----
Directors' Remuneration	20485	20544
Auditor's Remuneration	1000	1000
Depreciation	11959	7480
	=====	=====

HIGHLANDER MUSIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st MARCH 2000

9. EMOLUMENTS OF THE DIRECTORS

	2000	1999
	-----	-----
Remuneration	20485	20544
Ex-Gratia Payments	-	-
	-----	-----
	20485	20544
	=====	=====

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

	2000	1999
	-----	-----
Chairman and Highest Paid Director	10243	10272
	=====	=====
Other Directors in scale:	Number of Directors	
£ 1 to £ 5000	0	0
£ 5001 to £ 10000	2	2

10. CURRENT ASSETS

	2000	1999
	-----	-----
Stock	52179	66985
Trade Debtors	49234	30391
Other Debtors & Prepayments	2570	9606
Cash in Hand	60	60
	-----	-----
	104043	107042
	=====	=====

HIGHLANDER MUSIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st MARCH 2000

11. CURRENT LIABILITIES

	2000	1999
Bank Overdraft	7644	37549
Trade Creditors	55227	31476
Other Creditors & Accruals	4994	10748
Inland Revenue - PAYE/NIC	1159	556
H.M.Customs - VAT	3826	-478
Loan Account - Highland Prospect	5143	5143
Corporation Tax	0	0
	77993	84994