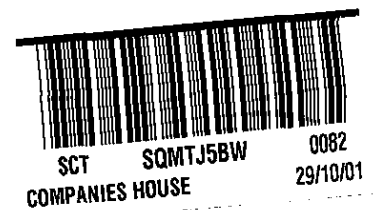


REPORT AND FINANCIAL STATEMENTS
FOR
HIGHLANDER MUSIC LIMITED
FOR THE YEAR ENDED 31st MARCH 2001

COMPANY NO: SC 160421

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



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,
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 2001.

RESULTS AND DIVIDENDS

The result for the period is a pre-tax trading profit amounting to £ 6958.72. After adjusting for dis-allowable expenditure and allowances, there is a 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:

	2001	2000
	-----	-----
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)

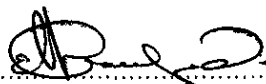
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the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

9th August 2001

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.

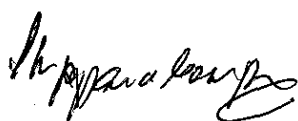
It is our responsibility to form an independent opinion, based on our audit, on those Accounts and to you.

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 2001, 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

7th August 2001

HIGHLANDER MUSIC LIMITED

BALANCE SHEET as at 31st MARCH 2001

	Notes	2001	2000
FIXED ASSETS			
Tangible Assets	1	26518	32679
CURRENT ASSETS			
Stock	3	83997	52179
Debtors		68157	51804
Cash in Hand and at Bank		60	60
	10	152214	104043
CREDITORS: amounts falling within one year	11	107337	77993
NET CURRENT ASSETS		44877	26050
TOTAL ASSETS LESS CURRENT LIABILITIES		71395	58729
CREDITORS: amounts falling due after more than one year: Highland Prospect Ltd		-13898	-17450
		57497	41279

REPRESENTED BY: CAPITAL AND RESERVES

Share Capital	6	10000	10000
Directors' Loans		64753	54901
Profit & Loss Account	B/Fwd	-23622	-26932
	31.3.2001	6366	3310
		-17256	-23622
		57497	41279

Signed

W. R. Crawford
Director

Signed

[Signature]
Director

HIGHLANDER MUSIC LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st MARCH 2001

	2001	2000
TURNOVER	471192	378862
Change in Stocks of finished goods and work in progress	-31818	14806
Other Operating Income	0	-2500
Raw Materials and consumables	365759	270452
Other external charges	0	0
Staff Costs	44666	30330
Depreciation and Amortisation	12656	11959
Other Operating Charges	57763	22985
	449026	348032
OPERATING PROFIT (LOSS)	22166	30830
Profit (Loss) on disposal of tangible fixed assets	0	0
Profit (Loss) on disposal of fixed asset investments	0	0
	0	0
Income from Investments	0	0
Bank Interest Receivable	0	0
Interest Payable and similar charges	-15207	-27520
	-15207	-27520
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6959	3310
Tax on profit on ordinary activities	-593	0
PROFIT FOR THE FINANCIAL YEAR	6366	3310
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	6366	3310

HIGHLANDER MUSIC LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS as at 31st MARCH 2001

	2001	2000
	-----	-----
SOURCE OF FUNDS		
From Operations	6366	3310
Share Capital Issued	0	0
Directors' Loans	9852	11495
Loans Received: Highland Prospect	0	0
ADD: Items not involving movement of funds:		
Depreciation	12656	11959
	-----	-----
	28874	26764
APPLICATION OF FUNDS		
Purchase of Fixed Assets	-6495	-21126
Repayment of Loans	-3552	-1636
	-----	-----
	-10047	-22762
	-----	-----
	18827	4002
	=====	=====
MOVEMENT IN WORKING CAPITAL		
Increase/(Decrease) in Stock	31818	-14806
Increase/(Decrease) in Debtors	16353	11807
Increase/(Decrease) in Net Cash Balances	-18561	29905
(Increase)/Decrease in Creditors	-12262	-17997
(Increase)/Decrease in Taxation	1479	-4907
(Increase)/Decrease in Loans	0	0
	-----	-----
	18827	4002
	=====	=====

NOTES TO THE ACCOUNTS for the year ended 31st MARCH 2001

1. FIXED ASSETS

	Goodwill	Office Equipment	Fixtures & Equipment	Motor Vehicles	Plant & Equipment	Total
COST						
Opening Balance	0	18127	702	27656	9751	56236
Additions	4000	2495	0	0	0	6495
Disposals	0	0	0	0	0	0
	4000	20622	702	27656	9751	62731
DEPRECIATION						
Opening Balance	0	14612	560	6915	1470	23557
Charge for the period	0	3650	142	6914	1950	12656
Withdrawn	0	0	0	0	0	0
	0	18262	702	13829	3420	36213
NET BOOK VALUE						
31.3.2001	4000	2360	0	13827	6331	26518
NET BOOK NET BOOK VALUE						
31.3.2000	0	3515	142	20741	8281	32679

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 LIMITEDNOTES TO THE ACCOUNTS for the year ended 31st MARCH 20013. 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 4 (Four).

5. TAXATION

	2001	2000
	----	----
Charge on Profit for the Year (10%)	593	-
Provision for deferred taxation	-----	-----
	593	-
	=====	=====

6. CALLED UP SHARE CAPITAL

Authorised, Issued and Fully Paid.

	2001	2000
	-----	-----
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:

	2001	2000
	-----	-----
Directors' Remuneration	20477	20485
Auditor's Remuneration	1000	1000
Depreciation	12656	11959
	=====	=====

HIGHLANDER MUSIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st MARCH 2001

9. EMOLUMENTS OF THE DIRECTORS

	2001	2000
	-----	-----
Remuneration	20477	20485
Ex-Gratia Payments	-	-
	-----	-----
	<u>20477</u>	<u>20485</u>

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

	2001	2000
	-----	-----
Chairman and Highest Paid Director	<u>10238</u>	<u>10243</u>
Other Directors in scale:	Number of Directors	
£ 1 to £ 5000	0	0
£ 5001 to £ 10000	2	2

10. CURRENT ASSETS

	2001	2000
	-----	-----
Stock	83997	52179
Trade Debtors	67671	49234
Other Debtors & Prepayments	486	2570
Cash in Hand	60	60
	-----	-----
	<u>152214</u>	<u>104043</u>

HIGHLANDER MUSIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st MARCH 2001

11. CURRENT LIABILITIES

	2001	2000
Bank Overdraft	26205	7644
Trade Creditors	69323	55227
Other Creditors & Accruals	3160	4994
Inland Revenue - PAYE/NIC	1261	1159
H.M.Customs - VAT	1652	3826
Loan Account - Highland Prospect	5143	5143
Corporation Tax	593	0
	107337	77993