

REPORT AND FINANCIAL STATEMENTS

FOR

HIGHLANDER MUSIC LIMITED

FOR THE YEAR ENDED 31st MARCH 2003

COMPANY No: SCO 160421



**Phipp and Company,
5, Millburn Square,
Inverness,
IV2 3PU**

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 No:	SCO 160421
BANKERS:	Bank of Scotland, High Street, Beauly, Inverness-shire.
AUDITORS:	Phipp and Company, 5, Millburn Square, Inverness, IV2 3PU

HIGHLANDER MUSIC LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and audited accounts of the Company for the year ended 31st March 2003.

RESULTS AND DIVIDENDS

The result for the year is a pre-tax profit amounting to £ 41311.18. After adjusting for disallowable expenditure and allowances, there is a liability to Corporation Tax. The detail is shown in the Profit and Loss Account.

No dividend is recommended.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

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:

	2003	2002
	-----	-----
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

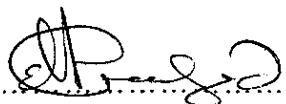
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the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

16th May 2003

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, 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.

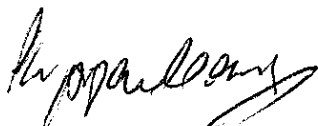
It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report to you.

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 any 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 2003, 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,
5, Millburn Square,
Inverness,
IV2 3PU

14th May 2003

HIGHLANDER MUSIC LIMITED

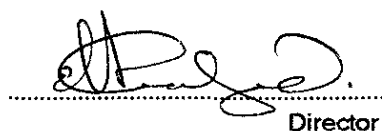
BALANCE SHEET as at 31st MARCH 2003

	Notes	2003	2002
FIXED ASSETS			
Tangible Assets	1	49220	54074
Intangible Assets	1	3200	3600
CURRENT ASSETS			
Stock	3	166233	136971
Debtors		91540	73491
Cash in Hand and at Bank		60	60
	10	257833	210522
CREDITORS: amounts falling due within one year	11	197926	187794
NET CURRENT ASSETS		59907	22728
TOTAL ASSETS LESS CURRENT LIABILITIES		112327	80402
CREDITORS: amounts falling due after more than one year: Highland Prospect Ltd		-7090	-10346
		105237	70056

REPRESENTED BY: CAPITAL AND RESERVES

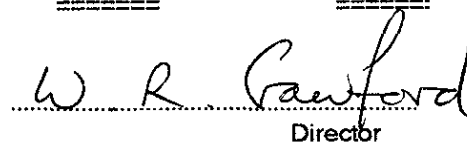
Share Capital	6	10000	10000
Directors' Loans		68817	72158
Profit & Loss Account	B/Fwd 2003	-12102 38522	-17256 5154
		26420	-12102
		105237	70056

Signed



Director

Signed



Director

HIGHLANDER MUSIC LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31st MARCH 2003

	2003	2002
TURNOVER	704147	560578
Change in Stocks of finished goods and work in progress	-29262	-52974
Other Operating Income	-8300	-15000
Raw Materials and consumables	486131	399061
Other external charges	0	0
Staff Costs	63109	61416
Depreciation and Amortisation	21286	17339
Other Operating Charges	122935	138463
	655899	548305
OPERATING PROFIT (LOSS)	48248	12273
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	-9726	-7119
	-9726	-7119
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	38522	5154
Tax on profit on ordinary activities	0	0
PROFIT FOR THE FINANCIAL YEAR	38522	5154
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	38522	5154

HIGHLANDER MUSIC LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS as at 31st MARCH 2003

	2003	2002
SOURCE OF FUNDS		
From Operations	38522	5154
Share Capital Issued	0	0
Directors' Loans	-3341	7405
Loans Received: Highland Prospect	0	0
ADD: Items not involving movement of funds:		
Depreciation	21286	17339
	56467	29898
APPLICATION OF FUNDS		
Purchase of Fixed Assets	-16032	-48495
Repayment of Loans	-3256	-3552
	-19288	-52047
	37179	-22149
MOVEMENT IN WORKING CAPITAL		
Increase/(Decrease) in Stock	29262	52974
Increase/(Decrease) in Debtors	18049	5334
Increase/(Decrease) in Net Cash Balances	-29004	-41766
(Increase)/Decrease in Creditors	25102	-46854
(Increase)/Decrease in Taxation	-6230	8163
(Increase)/Decrease in Loans	0	0
	37179	-22149

NOTES TO THE ACCOUNTS for the year ended 31st MARCH 2003

1. FIXED ASSETS

	Goodwill	Office Equipment	Fixtures & Equipment	Motor Vehicles	Plant & Equipment	Land & Buildings	Total
COST							
Opening Balance	4000	60117	702	27656	9751	9000	111226
Additions	0	15479	0	0	553	0	16032
Disposals	0	0	0	0	0	0	0
	4000	75596	702	27656	10304	9000	127258
DEPRECIATION							
Opening Balance	400	26336	702	20742	5372	0	53552
Charge for the period	400	12023	0	6914	1949	0	21286
Withdrawn	0	0	0	0	0	0	0
	800	38359	702	27656	7321	0	74838
NET BOOK VALUE							
31.3.2003	3200	37237	0	0	2983	9000	52420
NET BOOK VALUE							
31.3.2002	3600	33781	0	6914	4379	9000	57674

2. ACCOUNTING POLICIES

a) Basis of Accounting

The Accounts are prepared under the historical cost 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
Land & Buildings	Nil

HIGHLANDER MUSIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st MARCH 2003

3. STOCK

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

4. STAFF COSTS

The average number of employees during the period under review was six (6).

5. TAXATION

	2003	2002
	-----	-----
Charge on Profit for the year (10%)	2789	-
Provision for deferred taxation	-	-
	-----	-----
	<u>2789</u>	<u>-</u>

6. CALLED UP SHARE CAPITAL

Authorised, Issued and Fully Paid

	2003	2002
	-----	-----
10,000 Ordinary Shares of £1 each	<u>10,000</u>	<u>10,000</u>

7. CONTINGENT LIABILITIES

There were no contingent liabilities at the Balance Sheet date.

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

	2003	2002
	-----	-----
Directors Remuneration	11548	20411
Auditors Remuneration	1000	1000
Depreciation	<u>21286</u>	<u>17339</u>

HIGHLANDER MUSIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31st MARCH 2003

9. EMOLUMENTS OF THE DIRECTORS

	2003	2002
	-----	-----
Remuneration	11548	20411
Ex-Gratia Payments	-	-
	-----	-----
	11548	20411
	=====	=====

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

	2003	2002
	-----	-----
Chairman and Highest Paid Director	5774	10206
	=====	=====
Other Directors in Scale:	Number of Directors	
£ 1 to £ 5000	0	0
£ 5001 to £ 10000	1	2

10. CURRENT ASSETS

	2003	2002
	-----	-----
Stock	166233	136971
Trade Debtors	90726	72663
Other Debtors and Prepayments	814	828
Cash in Hand	60	60
	-----	-----
	257833	210522
	=====	=====