



**THE CHARISMA MUSIC PUBLISHING CO.
LIMITED**

Report and Financial Statements

31 December 1998

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



REPORT AND FINANCIAL STATEMENTS 1998

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1998.

ACTIVITIES

The principal activity of the company continued to be that of music publishing.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors intend to take steps to strengthen the balance sheet in the future, and expect that the present level of activity will be improved during the coming year.

DIVIDENDS AND RESULT FOR THE YEAR

The directors do not recommend the payment of a dividend (1997- £nil).

The profit for the year was £124,011 (1997 - loss £(129,143)).

PARENT COMPANY

The company is a wholly owned subsidiary of Hit and Run Music (Publishing) Limited.

DIRECTORS

The directors who served throughout the year together with their beneficial interests, as defined by the Companies Act 1985, in the shares of the company at 31 December 1998 and 1 January 1998 were as follows:

	Ordinary shares of £1 each	
	31 December 1998	1 January 1998
J A Smith	1	1
J P Crawley	-	-

Both directors also had an interest, as defined by the Companies Act 1985, in the share capital of the company by virtue of their interest in the share capital of the parent company, which is disclosed in that company's accounts.

YEAR 2000

The company's plans to deal with the impact arising from the Year 2000 are well advanced and the cost of necessary changes will not be significant for the company.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

J A Smith

Director

21 SEPTEMBER 1999

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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 financial statements 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' REPORT TO THE MEMBERS OF THE CHARISMA MUSIC PUBLISHING CO. LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of 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 financial statements are free from material misstatement, 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 financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts in relation to the parent company's ability to provide continued financial support to the company, and the impact that this has on the company's ability to continue as a going concern. In light of the significance of this matter, we consider that it should be drawn to your attention. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

22 September 1999


PROFIT AND LOSS ACCOUNT
Year ended 31 December 1998

	Note	1998 £	1997 £
TURNOVER	1	448,141	300,198
Cost of sales	1	(193,468)	(199,548)
Gross profit		254,673	100,650
Administrative expenses		(135,146)	(246,222)
OPERATING PROFIT/(LOSS)		119,527	(145,572)
Interest receivable and similar income		8,753	16,429
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	128,280	(129,143)
Tax charge on profit/(loss) on ordinary activities	4	(4,269)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		124,011	(129,143)
Balance brought forward		165,073	294,216
Balance carried forward		289,084	165,073

All activities derive from continuing operations.

There are no recognised gains or losses other than as stated in the profit and loss account shown above and, accordingly, no statement of total recognised gains and losses is shown.

There are no movements on reserves or shareholders' funds for either financial year other than the movement on the profit and loss account as shown above.


**BALANCE SHEET
31 December 1998**

	Note	1998 £	1997 £
CURRENT ASSETS			
Debtors	5	321,141	59,141
Cash at bank and in hand		83,350	186,568
		<u>404,491</u>	<u>245,709</u>
 CREDITORS: amounts falling due within one year			
Trade creditors		100,208	67,881
Amounts owed to group undertakings		-	2,865
Other creditors including taxation and social security	6	1,838	48
Accruals and deferred income		13,261	9,742
		<u>(115,307)</u>	<u>(80,536)</u>
 NET CURRENT ASSETS		<u>289,184</u>	<u>165,173</u>
 TOTAL ASSETS LESS CURRENT LIABILITIES		<u>289,184</u>	<u>165,173</u>
 CAPITAL AND RESERVES			
Called up share capital	7	100	100
Profit and loss account		289,084	165,073
 EQUITY SHAREHOLDERS' FUNDS		<u>289,184</u>	<u>165,173</u>

These financial statements were approved by the Board of Directors on 21 SEPTEMBER 1999.

Signed on behalf of the Board of Directors

J A Smith

Director


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern basis

Included within debtors is an amount of £290,907 (1997: creditor of £2,204) due from the company's parent company, Hit and Run Music (Publishing) Limited, which is dependent on the support of its bankers and majority shareholder to be able to continue trading. In turn, the company is dependent on the repayment of this debtor to continue trading.

Confirmation of continued support and intention to repay the debtor has been obtained from the parent company and accordingly the directors have drawn up accounts on a going concern basis.

Turnover

Turnover represents royalties which are credited to the profit and loss account on the contractually due date, or where this is unspecified, on the date cash is received.

The directors do not believe that any part of the company's worldwide market is significantly different from any other.

Cost of sales

Provisions for royalties payable are made in accordance with the accruals concept, and are matched against royalties receivable in the year.

All advances to writers are written off in the year in which they are made. Any advances recouped in the year or future years are shown in the profit and loss account on a cash received basis.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences are dealt with in the profit and loss account.

Pension costs

The company operates a defined contribution pension scheme. Pension costs are charged to the profit and loss account when paid.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1998 £	1997 £
Directors' emoluments:		
Pension contributions	25,076	24,718
Remuneration of the highest paid director	25,076	24,718
	£	£
Employee costs during the year (including the directors)		
Other pension costs	25,076	24,718


NOTES TO THE ACCOUNTS
Year ended 31 December 1998
2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1999 No.	1998 No.
Average number of persons employed		
Administration	2	2

During the year the two directors of the company were the only employees. The only staff costs in the year were pension contributions paid on behalf of one of the directors (1997 : one).

3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £	1997 £
Profit/(loss) on ordinary activities before taxation		
is stated after charging:		
Auditors' remuneration	8,000	8,000

4. TAX CHARGE ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1998 £	1997 £
Overseas taxation	4,269	-

5. DEBTORS

	1998 £	1997 £
Other debtors	29,883	-
Prepayments and accrued income	351	59,141
Amounts owed by parent company	290,907	-
	321,141	59,141

6. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1998 £	1997 £
This heading consists of:		
Taxation and social security	1,838	48

7. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised, called up, allotted and fully paid:		
100 ordinary shares of £1 each	100	100

**NOTES TO THE ACCOUNTS****Year ended 31 December 1998****8. RELATED PARTY TRANSACTIONS**

During the year the company was charged a fee of £100,000 (1997: £200,000) by its parent company Hit and Run Music (Publishing) Limited in return for the provision of management services and the payment of ongoing costs relating to the European sub-publishing network set up in 1997 borne wholly by the parent company.

Also during the year £127,306 (1997: £nil) was received from TGP 100, a company in which J A Smith is a director and is the sole owner, for royalties due from Hit and Run Music (Publishing) Limited's European territories. This income was received by the parent company on behalf of the company, and was wholly outstanding to the company at the year end (1997: £nil). The total debtor due from the parent company at the year end was £290,907 (1997: creditor £2,204)

9. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate and ultimate parent company and controlling party is Hit and Run Music (Publishing) Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the financial statements of that company are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.