

Registration No: 1213301

TROJAN RECORDINGS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1996



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FINANCIAL STATEMENTS

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TROJAN RECORDINGS LIMITED

COMPANY INFORMATION

DIRECTORS:

C M NEWMAN
F T CHIN
F W LEA

SECRETARY:

F T CHIN

REGISTERED OFFICE:

TWYMAN HOUSE
31-39 CAMDEN ROAD
LONDON NW1 9LF

AUDITORS:

LEWIS ALLEN & COMPANY
CERTIFIED ACCOUNTANTS
KEBBELL HOUSE
CARPENDERS PARK
WATFORD

TROJAN RECORDINGS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements of the company for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES

The principal activities of the company are licensing, exploiting and marketing of master recordings.

REVIEW OF THE BUSINESS

The directors are pleased with the company's result for the year and look forward to expanding the company's activities.

DIVIDENDS AND TRANSFER TO RESERVES

The directors recommend the payment of a £200,000 dividend (1995: £125,000). The retained profit is transferred to reserves.

FIXED ASSETS

Details of changes in the fixed assets are shown in the attached financial statements.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

COLIN NEWMAN
FENG-TAK CHIN
FRANK LEA

The directors interests in the shares of the holding company are shown in the directors report of that company.

AUDITORS

Lewis Allen & Company, Certified Accountants, have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming annual general meeting.

 **BY ORDER OF THE BOARD**

COLIN NEWMAN

CHAIRMAN

22 September 1997

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF

TROJAN RECORDINGS LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out in note 2.

Respective Responsibilities of Directors and Auditors

As described in note 1 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.

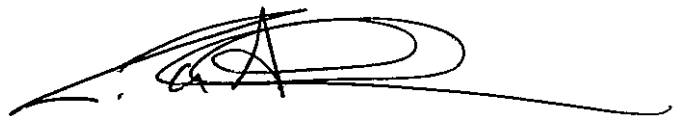
Basis of Opinion

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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1996, and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



LEWIS ALLEN & COMPANY

**CERTIFIED ACCOUNTANTS AND
REGISTERED AUDITORS**

Kebbell House
Carpenders Park
Watford

22 September 1997

TROJAN RECORDINGS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

	Note	1996 £	1995 £
TURNOVER - CONTINUING OPERATIONS	3	1,343,311	1,263,558
OPERATING EXPENSES		1,135,148	1,087,386
OPERATING PROFIT		<u>208,163</u>	<u>176,172</u>
OTHER INCOME	4	19,573	27,399
		<u>227,736</u>	<u>203,571</u>
INTEREST PAYABLE & SIMILAR CHARGES	5	268	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	<u>227,468</u>	<u>203,571</u>
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	75,152	67,178
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>152,316</u>	<u>136,393</u>
DIVIDEND	8	200,000	125,000
		<u>(47,684)</u>	<u>11,393</u>
RETAINED PROFIT BROUGHT FORWARD		229,423	218,030
RETAINED PROFIT CARRIED FORWARD		<u>181,739</u>	<u>229,423</u>

There are no acquisitions or discontinued operations during the current or preceding year.

TROJAN RECORDINGS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1996

	Note	1996		1995	
		£	£	£	£
FIXED ASSETS					
Intangible assets	9		1		1
CURRENT ASSETS					
Debtors	10	474,844		349,403	
Cash at bank		596,778		440,555	
		<u>1,071,622</u>		<u>789,958</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	888,534		559,186	
NET CURRENT ASSETS			<u>183,088</u>		<u>230,772</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>183,089</u>		<u>230,773</u>
CAPITAL AND RESERVES					
Called up share capital	12		1,350		1,350
Profit and loss account			181,739		229,423
SHAREHOLDERS FUNDS			<u>183,089</u>		<u>230,773</u>

C NEWMAN

) DIRECTORS

F T CHIN

Approved by the board on
22 September 1997

TROJAN RECORDINGS LIMITED

OTHER STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

**STATEMENT OF TOTAL RECOGNISED GAINS
AND LOSSES**

	1996 £	1995 £
Profit for the financial year	152,316	136,393
	<hr/>	<hr/>

**RECONCILIATION OF MOVEMENTS IN
SHAREHOLDERS FUNDS**

Profit for the financial year	152,316	136,393
Dividend paid	(200,000)	(125,000)
	<hr/>	<hr/>
	(47,684)	11,393
Opening shareholders funds	230,773	219,380
	<hr/>	<hr/>
Closing shareholders funds	183,089	230,773
	<hr/>	<hr/>

NOTE OF HISTORICAL COST PROFIT AND LOSSES

There is no material difference between the reported profit for 1996 and 1995 and the profit for those years restated on an historical cost basis.

TROJAN RECORDINGS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1996

	1996		1995	
	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES		401,216		17,544
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest payable	(268)		-	
Dividend paid	(200,000)		(125,000)	
Interest received	19,573		27,399	
	<hr/>		<hr/>	
Net cash (outflow) from returns on investments and servicing of finance		(180,695)		(97,601)
TAXATION				
UK corporation tax paid	54,333		84,772	
Withholding tax paid	9,965		12,845	
	<hr/>	(64,298)	<hr/>	(97,617)
		<hr/>		<hr/>
Increase/(decrease) in cash and cash equivalents		156,223		(177,674)
		<hr/>		<hr/>

TROJAN RECORDINGS LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1996

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £	1995 £
Operating profit	208,163	176,172
(Increase) in debtors	(125,441)	(15,188)
Increase(decrease) in creditors	318,494	(143,440)
	<u>401,216</u>	<u>17,544</u>

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1996 £	1995 £
Balance at 1 January	440,555	618,229
Net cash inflow/(outflow)	156,223	(177,674)
	<u>596,778</u>	<u>440,555</u>

3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1996 £	1995 £	Change in Year £
Cash at bank and in hand	<u>596,778</u>	<u>440,555</u>	<u>156,223</u>

TROJAN RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

1. STATEMENT OF DIRECTORS RESPONSIBILITIES

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

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- (iv) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for maintaining 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.

2. ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements are prepared in accordance with the historical cost convention and in accordance with applicable accounting standards.

(b) Turnover

Turnover represents the invoiced value of goods sold and services rendered.

(c) Foreign Currencies

Assets and liabilities in foreign currencies are translated to sterling at rates of exchange ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

(d) Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation. Provision is made for deferred taxation to the extent that there was a reasonable probability that a liability will arise in the foreseeable future.

3. TURNOVER - CONTINUING OPERATIONS

The contribution of the principal activities of the company in turnover is shown below:

	1996	1995
	£	£
Geographical analysis:		
United Kingdom	903,468	965,101
Rest of Europe	298,560	130,566
Rest of the World	141,283	167,891
	<hr/>	<hr/>
	1,343,311	1,263,558
	<hr/>	<hr/>

TROJAN RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

4. OTHER INCOME	1996	1995
	£	£
Bank interest	19,573	27,399
	<hr/>	<hr/>
5. INTEREST PAYABLE & SIMILAR CHARGES		
Interest on overdue tax	268	-
	<hr/>	<hr/>
6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
After charging:		
Auditors remuneration	300	300
Loss on exchange	6,735	-
	<hr/>	<hr/>
7. TAX ON PROFIT ON ORDINARY ACTIVITIES		
Corporation tax based on results for the year @ 33%	75,152	67,178
	<hr/>	<hr/>
8. DIVIDEND		
Paid	200,000	125,000
	<hr/>	<hr/>
9. INTANGIBLE ASSET		
The musical repertoire has previously been written down to the nominal sum of £1. The directors consider the market value of the musical repertoire to be in excess of the book value.		
10. DEBTORS		
Trade debtors	163,680	62,113
Amount owed by fellow subsidiaries	310,558	287,290
Other debtors	606	-
	<hr/>	<hr/>
	474,844	349,403
	<hr/>	<hr/>

TROJAN RECORDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1996

**11. CREDITORS: AMOUNTS FALLING DUE
WITHIN ONE YEAR**

	1996 £	1995 £
Trade creditors	539,981	430,195
Amount due to fellow subsidiary	300	300
Amount due to holding company	244,748	44,748
Corporation tax	65,187	54,333
Other taxation & social security	2,123	11,745
Other creditors, accruals & deferred income	36,195	17,865
	<hr/> 888,534 <hr/>	<hr/> 559,186 <hr/>

12. CALLED UP SHARE CAPITAL

Authorised:		
25,000 ordinary shares of £1 each	25,000	25,000
	<hr/>	<hr/>
Issued and Fully Paid:		
1,350 ordinary shares of £1 each	1,350	1,350
	<hr/>	<hr/>

13. HOLDING COMPANY

The ultimate holding company is Sharesense Limited, a company incorporated in England.

14. RELATED PARTY TRANSACTIONS

During the year the company received fee income of £113,606 from Paintings Limited, a company of which Mr C Newman and Mr F T Chin are directors.

The amount owed by Paintings Limited at the year end was £113,606.

The company has taken advantage of FRS8 exemptions from disclosing transactions with other group companies on the grounds that those subsidiaries are wholly owned and controlled within the group and included in the consolidated accounts which are publicly available.