

Registration No: 2352363

CLAY RECORDS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1998



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CLAY RECORDS LIMITED

COMPANY INFORMATION

DIRECTORS:

C M NEWMAN
F T CHIN

SECRETARY:

F T CHIN

REGISTERED OFFICE:

REGENT HOUSE
1 PRATT MEWS
LONDON NW1 0AD

AUDITORS:

LEWIS ALLEN & COMPANY
CHARTERED CERTIFIED ACCOUNTANTS
KEBBELL HOUSE
DELTA GAIN
CARPENDERS PARK
WATFORD WD1 5BE

CLAY RECORDS LIMITED

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS

The results for the year and the financial position at the year end were considered satisfactory by the directors.

DIVIDENDS

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors who served during the year were as follows:

COLIN M NEWMAN
FENG-TAK CHIN

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


YEAR 2000

The directors have considered in detail the potential effects of the year 2000, as it relates to the computers and automated machinery used by this company, in all aspects of its business. This review has included computer hardware and software programmes.

The directors believe that they have taken all necessary action to ensure that the relevant assets will be fully millennium compliant and the full costs of the above compliance have been properly accounted for in the financial statements.

AUDITORS

Lewis Allen & Company, Chartered Certified Accountants, have expressed their willingness to continue as auditors of the company for the forthcoming year.


BY ORDER OF THE BOARD
COLIN M NEWMAN
CHAIRMAN

22 October 1999

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF

CLAY RECORDS LIMITED

We have audited the financial statements on pages 4 to 9 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 1998, and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



LEWIS ALLEN & COMPANY

**CHARTERED CERTIFIED ACCOUNTANTS
AND REGISTERED AUDITORS**

Kebbell House
Delta Gain
Carpenders Park
Watford WD1 5BE

22 October 1999

CLAY RECORDS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 £	1997 £
TURNOVER - CONTINUING OPERATIONS	3	-	34
OPERATING EXPENSES	4	325	377
OPERATING LOSS		<u>(325)</u>	<u>(343)</u>
OTHER INCOME	5	189	734
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION/1997: PROFIT	6	<u>(136)</u>	<u>391</u>
TAX ON LOSS ON ORDINARY ACTIVITIES/ 1997: PROFIT	7	-	85
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION/1997: PROFIT		<u>(136)</u>	<u>306</u>
RETAINED PROFIT BROUGHT FORWARD		7,604	7,298
RETAINED PROFIT CARRIED FORWARD		<u>7,468</u>	<u>7,604</u>

CLAY RECORDS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1998

	Note	1998 £	1997 £
CURRENT ASSETS			
Debtors	8	20,300	20,353
Cash at bank		5,133	5,301
		<u>25,433</u>	<u>25,654</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	9	17,865	17,950
NET CURRENT ASSETS		7,568	7,704
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,568</u>	<u>7,704</u>
CAPITAL AND RESERVES			
Called up share capital	10	100	100
Profit and loss account		7,468	7,604
SHAREHOLDERS FUNDS		<u>7,568</u>	<u>7,704</u>

C M NEWMAN

)

) DIRECTORS

F T CHIN

)

Approved by the board on
22 October 1999

CLAY RECORDS LIMITED

OTHER STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no gains or losses other than the profit or loss for the year.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

There is no material difference between the reported loss for 1998 and the profit for 1997 and the loss/profit for those years restated on an historical cost basis.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1998 £	1997 £
Loss for the financial year/1997: profit	(136)	306
Opening shareholders funds	7,704	7,398
Closing shareholders funds	<u>7,568</u>	<u>7,704</u>

CLAY RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

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.

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.

As the company falls within the definition of a 'small company', it is not required to provide a cash flow statement.

(b) 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 is a reasonable probability that a liability will arise in the foreseeable future.

(c) Turnover

Turnover represents the invoiced value of royalties and fees received.

3. TURNOVER

	1998	1997
	£	£
Geographical analysis:		
United Kingdom	-	34
	<hr/>	<hr/>

4. OPERATING EXPENSES

Administration expenses	325	377
	<hr/>	<hr/>

CLAY RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

5. OTHER INCOME	1998	1997
	£	£
Interest received from deposit	189	734
	<hr/>	<hr/>
6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
After charging:		
Auditors remuneration	50	50
	<hr/>	<hr/>
7. TAX ON LOSS ON ORDINARY ACTIVITIES/ 1997: PROFIT		
Corporation tax based on the results for the year	-	85
	<hr/>	<hr/>
8. DEBTORS		
Amount due from group undertakings	20,300	20,300
Other debtors	-	53
	<hr/>	<hr/>
	20,300	20,353
	<hr/>	<hr/>
9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	17,565	17,565
Corporation tax	-	85
Other creditors & accruals	300	300
	<hr/>	<hr/>
	17,865	17,950
	<hr/>	<hr/>

CLAY RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

10. CALLED UP SHARE CAPITAL	1998	1997
	£	£
Authorised, Issued and Fully Paid:		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

11. HOLDING COMPANY

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

12. RELATED PARTY TRANSACTIONS

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.