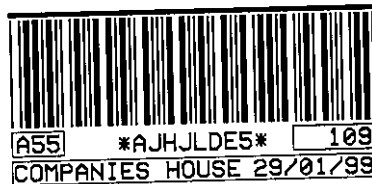


**Loaded Records Limited**

**Report and Accounts**

**31 March 1998**



**MARTIN GREENE RAVDEN**

*Chartered Accountants  
and Registered Auditors*  
**55 Loudoun Road  
St John's Wood  
London NW8 0DL**

**Company No. 03373216**

# **Loaded Records Limited**

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## **REPORT AND ACCOUNTS**

**For the period from 20 January 1998 to 31 March 1998**

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## **Loaded Records Limited**

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### **COMPANY INFORMATION**

<b>Directors</b>	J C Reid T P R Jeffery D Harris
<b>Secretary</b>	J C Reid
<b>Business address</b>	73a Shipwrights Yard Middle Street Brighton Sussex BN1 1AL
<b>Registered office</b>	55 Loudoun Road St John's Wood London NW8 0DL
<b>Auditors</b>	Martin Greene Ravden Chartered Accountants and Registered Auditors 55 Loudoun Road St John's Wood London NW8 0DL
<b>Principal bankers</b>	National Westminster Bank Plc P.O. Box 2401 42 London Road Brighton BN1 4LW

# **Loaded Records Limited**

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## **DIRECTORS' REPORT**

**For the period from 20 January 1998 to 31 March 1998**

The directors present their report and the audited accounts for the period from 20 January 1998 to 31 March 1998.

### **Statement of directors' responsibilities**

A statement of the directors' responsibilities in relation to the accounts is set out on page 4.

### **Principal activity**

The company was incorporated on 19 May 1997 and commenced business on 20 January 1998. The principal activity of the company is that of a record company.

### **Directors and their interests**

The directors who held office during the period and their beneficial interests in the company's share capital were as follows:

	Number of £1 Ordinary Shares at	
	20 January 1998 or date of appointment	31 March 1998
J C Reid	20	20
T P R Jeffery	20	20
D Harris	-	-

Mr J C Reid and Mr T P R Jeffery were appointed directors on 19 May 1997. Mr D Harris was appointed a director on 12 June 1998.

### **Share capital**

The movements in share capital during the period are set out in Note 11 to the accounts.

### **Auditors**

A resolution to re-appoint the auditors, Martin Greene Ravden, will be proposed at the forthcoming annual general meeting.

### **Year 2000 compliance**

As is well known, many computers and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of the company's business depends not only on its computer systems, but also to some degree on those of its suppliers, bankers, customers and anyone else associated with its business. This could expose the company to risks in the event that there is a failure by other parties to remedy their own Year 2000 issues.

## Loaded Records Limited

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### DIRECTORS' REPORT

For the period from 20 January 1998 to 31 March 1998

The directors believe that the potential risks have been reviewed and reasonable steps have or are being taken to deal with the Year 2000 issues within the company. The costs of dealing with these issues have been, and will continue to be absorbed within the normal running costs of the business.

*The directors have prepared this report in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.*

By order of the Board



*J C Reid*  
Secretary

19 January 1999

## **Loaded Records Limited**

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### **STATEMENT OF DIRECTORS' AND AUDITORS' RESPONSIBILITIES**

**in relation to the accounts for the period from 20 January 1998 to 31 March 1998**

The following statement is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

#### **Directors' responsibilities**

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the company's state of affairs at the end of the period and of the profit or loss for that period. In preparing those accounts, 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, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the 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 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.

The directors confirm that the accounts comply with these requirements.

The directors, having prepared the accounts, are required to provide to the auditors such information and explanations as the auditors think necessary for the performance of their duty.

#### **Auditors' responsibilities**

The auditors are required to form an independent opinion on the accounts presented by the directors, based on their audit, and to report their opinion to the shareholders. The Companies Act 1985 also requires the auditors to report to shareholders if the following requirements are not met:

- that the company has maintained proper accounting records;
- that the accounts are in agreement with the accounting records;
- that directors' emoluments and other transactions with directors are properly disclosed in the accounts; and
- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The Companies Act 1985 requires the auditors to report to shareholders if the matters contained in the directors' report are inconsistent with the accounts.

## **Loaded Records Limited**

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### **AUDITORS' REPORT**

**to the shareholders of Loaded Records Limited**

We have audited the accounts on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

#### **Respective responsibilities of directors and auditors**

As described on page 4, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

#### **Going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 to the accounts concerning the company's financial position, and the continuing support of its shareholders. In view of the significance of the matter, we consider that it should be drawn to your attention, but in our opinion is not qualified in this respect.

#### **Opinion**

In our opinion, the accounts give a true and fair view of the state of the company's affairs at 31 March 1998 of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

**MARTIN GREENE RAVDEN**

*Chartered Accountants  
and Registered Auditors*

55 Loudoun Road  
St John's Wood  
London NW8 0DL

19 January 1999



## Loaded Records Limited

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### PROFIT AND LOSS ACCOUNT

For the period from 20 January 1998 to 31 March 1998

	Notes	£
Turnover		173,375
Cost of sales		(266,543)
Gross loss		(93,168)
Administrative expenses		(103,847)
Operating loss	3	(197,015)
Interest receivable		542
Loss on ordinary activities before taxation		(196,473)
Taxation		-
Loss for the financial period transferred to reserves		(196,473)

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.




# Loaded Records Limited

## BALANCE SHEET at 31 March 1998

	Notes	£
<b>Fixed assets</b>		
Intangible assets	5	1,442
Tangible assets	6	3,720
		<u>5,162</u>
<b>Current assets</b>		
Stocks	7	35,596
Debtors	8	168,445
Cash at bank and in hand		20,192
		<u>224,233</u>
<b>Creditors due within one year</b>		
Trade and other creditors	9	280,476
Short term borrowings	10	120,292
		<u>(400,768)</u>
<b>Net current liabilities</b>		<u>(176,535)</u>
<b>Total assets less current liabilities</b>		(171,373)
<b>Creditors due after one year</b>		
Loans	10	(25,000)
<b>Net liabilities</b>		<u>(196,373)</u>
<b>Capital and reserves</b>		
Called up share capital	11	100
Profit and loss account		(196,473)
<b>Shareholders' deficit</b>		<u>(196,373)</u>

*The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.*

The accounts were approved by the Board  
on 19 January 1999 and signed on its behalf by



**J C Reid - Director**

## **Loaded Records Limited**

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### **NOTES TO THE ACCOUNTS**

**For the period from 20 January 1998 to 31 March 1998**

#### **1. BASIS OF PREPARATION OF THE ACCOUNTS**

- 1.1** The company incurred a loss of £196,473 during the period ended 31 March 1998 and at that date its liabilities exceeded its assets by £196,373.

The company meets its day to day working capital requirement out of interest free loans from its shareholders. At 31 March 1998 £224,737 was owed to the shareholders, who have confirmed that they will continue to make available such sums that the company may require, in order to continue trading.

On the assumption that the company will continue to receive financial support from its shareholders the directors consider it is appropriate to prepare the accounts on the going concern basis. The accounts do not include many adjustments that would result if the shareholders withdrew their financial support.

#### **2. ACCOUNTING POLICIES**

##### **2.1 Basis of accounting**

The accounts are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

##### **2.2 Turnover**

Turnover represents the amounts derived from the sales of goods and services and non-returnable advances received stated net of value added tax.

##### **2.3 Non-returnable advances**

Advances received which are non-returnable but recoupable out of earnings are treated as income.

##### **2.4 Royalties payable**

Advances to artists and licensors are charged to the profit and loss account in the accounting period in which they are paid. Unless recoupable against advances, royalties are charged to the profit and loss account on an accruals basis.

##### **2.5 Intangible fixed assets**

Intangible assets represent purchased record contracts and record business intellectual property rights. The cost of acquisition is written off over the period the company anticipates to benefit from the purchase.

# Loaded Records Limited

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## NOTES TO THE ACCOUNTS

For the period from 20 January 1998 to 31 March 1998

### 2. ACCOUNTING POLICIES

#### 2.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Furniture, fittings and equipment	25% straight line
Computer equipment	33⅓% straight line

#### 2.7 Leasing

Rentals payable under operating leases are charged to the profit and loss account as incurred.

#### 2.8 Stocks

Stocks are valued at the lower of cost and net realisable value.

#### 2.9 Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes to the extent that a liability to taxation is likely to crystallise.

### 3. OPERATING LOSS

	£
The operating loss is stated after charging:	
Depreciation of tangible fixed assets	242
Amortisation of intangible fixed assets	58
Auditors' remuneration	3,000
	<u>          </u>

### 4. DIRECTORS' EMOLUMENTS

	£
Total emoluments	14,467
	<u>          </u>

# Loaded Records Limited

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## NOTES TO THE ACCOUNTS

For the period from 20 January 1998 to 31 March 1998

### 5. INTANGIBLE FIXED ASSETS

	Record contracts and copyrights £
<b>Cost</b>	
Additions	1,500
At 31 March 1998	1,500
<b>Amortisation</b>	
Charge for the period	58
At 31 March 1998	58
<b>Net book value</b>	
At 31 March 1998	1,442

### 6. TANGIBLE FIXED ASSETS

	Plant and machinery etc £
<b>Cost</b>	
Additions	3,962
At 31 March 1998	3,962
<b>Depreciation</b>	
Charge for the period	242
At 31 March 1998	242
<b>Net book value</b>	
At 31 March 1998	3,720

### 7. STOCKS

	£
Stocks	35,596

## Loaded Records Limited

### NOTES TO THE ACCOUNTS

For the period from 20 January 1998 to 31 March 1998

#### 8. DEBTORS

	£
Due within one year	
Trade debtors	143,019
Other debtors	25,426
	<u>168,445</u>

#### 9. CREDITORS

	£
Due within one year	
Trade creditors	140,349
Royalties and fees payable	35,088
Other creditors	105,039
	<u>280,476</u>

#### 10. BORROWINGS

	Due within one year £	Due after one year £
Loans	<u>120,292</u>	<u>25,000</u>

#### 11. CALLED UP SHARE CAPITAL

	£
Authorised	
1,000 Ordinary shares of £1 each	1,000
	<u>          </u>
Allotted, called up and fully paid	
100 Ordinary shares of £1 each	100
	<u>          </u>

On 19 May 1997, 2 ordinary shares of £1 each were issued to create the capital base of the company. On 12 January 1998 a further 98 shares were issued to increase the capital base.

#### 12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	£
Loss for the period	(196,473)
New share capital subscribed	100
	<u>          </u>
Closing shareholders' deficit	<u>(196,373)</u>

## **Loaded Records Limited**

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### **NOTES TO THE ACCOUNTS**

**For the period from 20 January 1998 to 31 March 1998**

#### **13. RELATED PARTY TRANSACTIONS**

The company received funding from a major shareholder, Sony Music (Entertainment) UK Limited in the form of short and long term loans. During the period amounts received totalled £170,718. Of the total amount received, £145,718 was due within one year and £25,000 after one year.

Sony Music (Entertainment) UK Limited has been granted an exclusive licence to distribute the company's products throughout the world outside of the UK and the Republic of Ireland.

#### **14. TRANSACTIONS WITH DIRECTORS**

Mr J Reid, Mr T Jeffery and Mr D Harris are directors and shareholders of Skint Records Limited. On the 20 January 1998 the company acquired certain of its business assets comprising goodwill, contracts (a catalogue comprising 2 albums), stock and the record business intellectual property rights from Skint Records Limited at a cost of £1,500.

Mr J Reid, Mr T Jeffery and Mr D Harris are partners in a business operating as "Original Artists" (the "partnership"). On the 20 January 1998 the partnership gifted to the company certain of its business assets comprising goodwill, contracts (a catalogue comprising the rights to 9 albums and 33 singles) and the record intellectual property rights.

During the period, the company purchased finished stock from the partnership to the value of £30,293 on normal commercial terms; the company paid £4,295 to the partnership for use of premises and related services; the partnership made loans to the company. At 31 March 1998 the balance due in respect of these loans amounted to £54,019. During the period the company collected £23,926 as agent for the partnership. This amount was due to the partnership at 31 March 1998 and is included in the £54,019 above.

#### **15. CONTROLLING PARTIES**

The company is controlled by the directors and Sony Music (UK) Entertainment Limited who own 100% of the issued share capital.