REGISTRAR'S COPY

Company Registration No. 02781569 (England and Wales)

EARACHE RECORDS LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2002

EARACHE RECORDS LIMITED

COMPANY INFORMATION

Director	D E Pearson
Secretary	H Pearson
Company number	02781569
Registered office	Suite 1-3 Westminister Buildings Theatre Square Nottingham NG1 6LG
Auditors	Clear & Lane 340 Melton Road Leicester LE4 7SL
Business address	Suite 1-3 Westminister Buildings Theatre Square Nottingham NG1 6LG

EARACHE RECORDS LIMITED

CONTENTS

EARACHE RECORDS LIMITED

DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2002

The director presents his report and financial statements for the year ended 30 June 2002.

Principal activities
The principal activity of the company is the wholesale and resale of compact discs, casettes and vinyl products.

Director
The following director has held office since 1 July 2001:

D E Pearson

Director's interests
The director's interest in the shares of the company was as stated below:

	Ordinary shares of £ 1 each	
	30 June 2002	**1 July 2001**
D E Pearson	2	2

Director's responsibilities
Company law requires the director to prepare financial statements for each financial year which give 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 director is required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board

.....
D E Pearson
Director
23 July 03
.....

EARACHE RECORDS LIMITED

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF EARACHE RECORDS LIMITED

We have audited the financial statements of Earache Records Limited on pages 4 to 8 for the year ended 30 June 2002. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditors

As described in the statement of director's responsibilities on page 1 the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 director 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.

EARACHE RECORDS LIMITED

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF EARACHE RECORDS LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Clear & Lane

Clear & Lane
Chartered Accountants
Registered Auditor

340 Melton Road
Leicester
LE4 7SL

25 July 2003
.....

EARACHE RECORDS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2002

	Notes	2002 £	2001 £
Turnover	2	1,439,543	1,814,973
Cost of sales		(957,170)	(1,345,266)
Gross profit		482,373	469,707
Administrative expenses		(514,786)	(471,872)
Other operating income		6,000	6,000
Operating (loss)/profit	3	(26,413)	3,835
Other interest receivable and similar income		36	508
Interest payable and similar charges		(2,108)	(2,041)
(Loss)/profit on ordinary activities before taxation		(28,485)	2,302
Tax on (loss)/profit on ordinary activities	4	300	(300)
(Loss)/profit on ordinary activities after taxation	9	(28,185)	2,002

EARACHE RECORDS LIMITED

BALANCE SHEET
AS AT 30 JUNE 2002

	Notes	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	5		5,203		7,308
Current assets					
Stocks		92,182		78,478	
Debtors	6	232,658		255,112	
Cash at bank and in hand		3,171		2,569	
		328,011		336,159	
Creditors: amounts falling due within one year	7	(352,024)		(334,091)	
Net current (liabilities)/assets			(24,013)		2,068
Total assets less current liabilities			(18,810)		9,376
Capital and reserves					
Called up share capital	8		2		2
Profit and loss account	9		(18,812)		9,374
Shareholders' funds			(18,810)		9,376

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on .....23 JULY 03

.....

D E Pearson
Director

EARACHE RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2002

1 Accounting policies

1 .1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

1 .2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1 .3 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 less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	25% straight line

1 .4 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

In the year to 30 June 2002 86.00 % (2001 - 90.00 %) of the company's turnover was to markets outside the United Kingdom.

3 Operating (loss)/profit

	2002	2001
	£	£
Operating (loss)/profit is stated after charging:		
Depreciation of tangible assets	3,037	9,735
Auditors' remuneration	3,950	3,850
Director's emoluments	4,167	50,000

4 Taxation

	£	£
U.K. corporation tax at 0 % (2001 - 20.75%)	(300)	300

5 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 July 2001	38,942
Additions	932
At 30 June 2002	39,874
Depreciation	
At 1 July 2001	31,634
Charge for the year	3,037
At 30 June 2002	34,671
Net book value	
At 30 June 2002	5,203
At 30 June 2001	7,308

6 Debtors

	2002 £	2001 £
Trade debtors	171,637	233,547
Other debtors	16,766	21,565
Prepayments and accrued income	44,255	-
	232,658	255,112

7 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts	60,173	29,113
Trade creditors	254,124	253,638
Corporation tax	-	300
Other taxes and social security costs	3,905	10,840
Director's current accounts	20,367	-
Other creditors	3,255	35,200
Accruals and deferred income	10,200	5,000
	352,024	334,091

8 Share capital

	2002 £	2001 £
Authorised		
50,000 Ordinary shares of £ 1 each	50,000	50,000
Allotted, called up and fully paid		
2 Ordinary shares of £ 1 each	2	2

9 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 July 2001	9,373
Retained loss for the year	(28,185)
Balance at 30 June 2002	(18,812)

10 Related party transactions

a) Control

The company is controlled by Mr. D. E. Pearson, who controls 100 per cent of the issued share capital of the company.

b) Transactions

During the period the company had the following transactions with Earache Records Inc. and Earache Songs (UK) Limited both of these companies being controlled by Mr. D. E. Pearson.

(i) A management charge of £196,078 was incurred during the period from Earache Records Inc. in respect of the recharge of overhead costs.

(ii) At 30 June 2002 the balance owing by Earache Records Inc. was £13,384 .

(iii) A management charge of £6,000 was received from Earache Songs (UK) Limited during the year.

(iv) At 30 June 2002 the balance owing by Earache Songs (UK) Limited was £2,187.

(v) A personal guarantee to the company's bankers for £50,000 has been provided by Mr D. E. Pearson.