

Company registration number: 02781569

**EARACHE RECORDS LIMITED**  
**DIRECTOR'S REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30TH JUNE 2003**



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**EARACHE RECORDS LIMITED**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2003**

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Company registration number: 02781569

## **EARACHE RECORDS LIMITED**

### **DIRECTOR'S REPORT FOR THE YEAR ENDED 30TH JUNE 2003**

#### **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 a 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 enable the director 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.

#### **PRINCIPAL ACTIVITIES**

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

#### **DIRECTOR**

The director who served during the year and his interest in the shares of the company at the beginning and end of the year was as follows:

Ordinary shares of £1 each

Beneficial holding:

D E Pearson

2

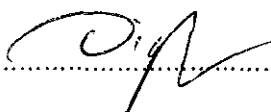
#### **AUDITORS**

The auditors, D Nicholson & Co, have indicated their willingness to accept re-appointment under Section 385A(2) of the Companies Act 1985.

The report of the directors 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

 27/4/2004

## **EARACHE RECORDS LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EARACHE RECORDS LIMITED**

We have audited the financial statements of Fraxson Independent Financial Services (UK) Limited for the year ended 30 June 2003 which comprise the profit and loss account, the balance sheet and the related notes. these financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, 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 an 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 directors and auditors**

As described in the statement of directors' responsibilities the company's directors are 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 directors 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 the information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' 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 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.

**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 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**D. Nicholson & Co**  
**Registered Auditors**  
**Dated**

*27th April 2004*

**17 Tennyson Street**  
**Lincoln**  
**LN1 1LZ**

**EARACHE RECORDS LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2003**

		2003	2002
	Note	£	£
TURNOVER	2	1,830,504	1,439,543
Cost of sales		<u>(1,262,808)</u>	<u>(957,170)</u>
GROSS PROFIT		567,696	482,373
Administrative expenses		(447,911)	(514,786)
Other operating income		<u>6,000</u>	<u>6,000</u>
OPERATING PROFIT (LOSS)	3	125,785	(26,413)
Other interest receivable and similar income		9	36
Interest payable and similar charges		<u>(6,038)</u>	<u>(2,108)</u>
PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		119,756	(28,485)
Tax on profit on ordinary activities	4	<u>(17,890)</u>	<u>300</u>
PROFIT (LOSS) FOR THE FINANCIAL YEAR		101,866	(28,185)
Dividend		<u>(35,000)</u>	<u>-</u>
RETAINED PROFIT (LOSS) FOR THE FINANCIAL YEAR		66,866	(28,185)
Retained profits (losses) brought forward		<u>(18,812)</u>	<u>9,373</u>
RETAINED PROFITS (LOSSES) CARRIED FORWARD		<u><u>48,054</u></u>	<u><u>(18,812)</u></u>

There were no recognised gains or losses other than the profit for the year

# **EARACHE RECORDS LIMITED**

## **BALANCE SHEET**

**30TH JUNE 2003**

	Note	£	2003	£	2002	£
<b>FIXED ASSETS</b>						
Tangible assets	5			4,537		5,203
<b>CURRENT ASSETS</b>						
Stocks	6		77,580		92,182	
Debtors	7		276,670		232,658	
Cash at bank and in hand			8,635		3,171	
			<u>362,885</u>		<u>328,011</u>	
<b>CREDITORS</b>						
Amounts falling due within one year	8		<u>(319,366)</u>		<u>(352,024)</u>	
<b>NET CURRENT ASSETS (LIABILITIES)</b>				<u>43,519</u>		<u>(24,013)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				<u>48,056</u>		<u>(18,810)</u>
<b>CAPITAL AND RESERVES</b>						
Called up share capital	9			2		2
Profit and loss account				<u>48,054</u>		<u>(18,812)</u>
<b>SHAREHOLDERS' FUNDS</b>				<u>48,056</u>		<u>(18,810)</u>

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

These financial statements were approved by the Board on 27 APRIL 2004

On behalf of the Board,

 DIRECTOR

Date 27-4-2004

## EARACHE RECORDS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 30TH JUNE 2003

#### 1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same accounts.

(a) Basis of preparation of financial statements

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

(b) Depreciation

Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful lives using the following rates:

Fixtures, fittings and equipment	~	25% per annum of cost
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(c) Stocks

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

(d) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.  
Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

#### 2 TURNOVER

The company's turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year. 90% of the company's turnover related to exports (2002 - 86%)

#### 3 OPERATING PROFIT (LOSS)

Operating profit is stated after charging:

	2003 £	2002 £
Directors' emoluments	5,000	4,167
Auditors' remuneration and expenses	1,250	3,950
Depreciation and amortisation of owned assets	<u>3,829</u>	<u>3,037</u>

**EARACHE RECORDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 30TH JUNE 2003 (CONTINUED)**

**4 TAX ON PROFIT (LOSS) ON ORDINARY ACTIVITIES**

	2003 £	2002 £
Current tax:		
UK corporation tax on profits for the period	13,410	-
Adjustments in respect of previous periods	414	(300)
Foreign tax	<u>4,066</u>	<u>-</u>
	<u>17,890</u>	<u>(300)</u>

**5 TANGIBLE FIXED ASSETS**

	Plant and machinery etc £
Cost	
At 1 July 2002	39,874
Additions	<u>3,163</u>
At 30 June 2003	<u>43,037</u>
Depreciation:	
At 1 July 2002	34,671
Charge for the year	<u>3,829</u>
At 30 June 2003	<u>38,500</u>
Net book value:	
At 30 June 2002	<u>5,203</u>
At 30 June 2003	<u>4,537</u>

**6 STOCKS (AND WORK IN PROGRESS)**

	2003 £	2002 £
Stocks	<u>77,580</u>	<u>92,182</u>

# **EARACHE RECORDS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 30TH JUNE 2003 (CONTINUED)**

### **7 DEBTORS - ALL RECEIVABLE WITHIN ONE YEAR**

	2003 £	2002 £
Trade debtors	207,745	171,637
Other debtors	24,670	16,766
Prepayments and accrued income	<u>44,255</u>	<u>44,255</u>
	<u>276,670</u>	<u>232,658</u>

### **8 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2003 £	2002 £
Bank loans and overdrafts	3,066	60,173
Trade creditors	283,693	254,124
Other creditors	9,359	3,255
Corporation tax	13,110	-
Other tax and social security	3,215	3,905
Obligations under finance leases and hire purchase contracts	-	-
Director's current account	939	20,367
Accruals and deferred income	<u>5,984</u>	<u>10,200</u>
	<u>319,366</u>	<u>352,024</u>

### **9 SHARE CAPITAL**

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

There have been no changes during the year.

## **EARACHE RECORDS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 30TH JUNE 2003 (CONTINUED)**

#### **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:

A management charge of £182,500 was incurred during the period from Earache Records Inc in respect of the recharge of overhead costs;

At 30th June the balance owing by Earache records Inc was £23,114;

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

At 30th June 2003 the balance owing by Earache Songs (UK) Limited was £881;

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