

3589/50

Promo Only Limited

Report and Financial Statements

Year Ended

31 December 2002

BDO
BDO Stoy Hayward
Chartered Accountants



Promo Only Limited

Annual report and financial statements for the year ended 31 December 2002

Contents

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Directors

R J Robinson
P A Werner

Secretary and registered office

Chariot House Limited, 42 Alie Street, London E1 8DA

Company number

3589150

Auditors

BDO Stoy Hayward, 66 Broomfield Road, Chelmsford, Essex, CM1 1SW

Promo Only Limited

Report of the directors for the year ended 31 December 2002

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

Results

The profit and loss account is set out on page 5 and shows the loss for the year.

Principal activities

The principal activity of the company during the year continued to be that of Compact Disc and Digital Versatile Disc distribution to Disc Jockeys.

During 2002 the company entered into an agreement with a third party to take over the manufacture and distribution of certain of the company's products.

Directors

The directors of the company during the year were:

R J Robinson
P A Werner

No director had any beneficial interest in the share capital of the company. Their interest in the shares of the company's ultimate controlling party, Promo Only Inc are disclosed in the financial statements of that company.

Directors' responsibilities

Company law requires the directors 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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 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 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.

Promo Only Limited

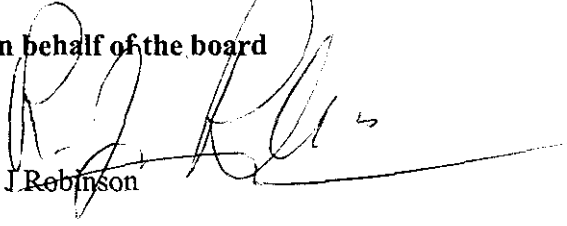
Report of the directors for the year ended 31 December 2002 (Continued)

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

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


R J Robinson

Director

Date: 15 October 2003

Promo Only Limited

Report of the independent auditors

To the shareholders of Promo Only Limited

We have audited the financial statements of Promo Only Limited for the year ended 31 December 2002 on pages 5 to 12 which have been prepared under the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

Promo Only Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors
Chelmsford*

27 October 2003

Promo Only Limited**Profit and loss account for the year ended 31 December 2002**

	Note	2002 £	2001 £
Turnover	3	248,286	209,236
Cost of sales		129,805	169,352
		<hr/>	<hr/>
Gross profit		118,481	39,884
Administrative expenses		243,906	443,550
		<hr/>	<hr/>
Operating loss	5	(125,425)	(403,666)
Other interest receivable and similar income		520	671
Interest payable and similar charges		(200)	(405)
		<hr/>	<hr/>
Loss on ordinary activities before and after taxation for the financial year		(125,105)	(403,400)
Accumulated loss brought forward		(1,053,076)	(649,676)
		<hr/>	<hr/>
Accumulated loss carried forward		(1,178,181)	(1,053,076)
		<hr/>	<hr/>

All amounts relate to continuing activities.

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

There are no movements in shareholders' funds in the current and prior year apart from the loss for the year.

The notes on pages 7 to 12 form part of these financial statements.

Promo Only Limited**Balance sheet at 31 December 2002**

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	7		448		16,384
Current assets					
Stocks		6,178		1,166	
Debtors	8	28,375		52,683	
Cash at bank and in hand		30,122		23,195	
		<u>64,675</u>		<u>77,044</u>	
Creditors: amounts falling due within one year	9	<u>1,243,302</u>		<u>1,146,502</u>	
Net current liabilities			<u>(1,178,627)</u>		<u>(1,069,458)</u>
Total assets less current liabilities			<u>(1,178,179)</u>		<u>(1,053,074)</u>
Capital and reserves					
Called up share capital	10		2		2
Profit and loss account			<u>(1,178,181)</u>		<u>(1,053,076)</u>
Equity shareholders' funds			<u>(1,178,179)</u>		<u>(1,053,074)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 15 October 2003


R J Robinson
Director

The notes on pages 7 to 12 form part of these financial statements.

Promo Only Limited

Notes forming part of the financial statements for the year ended 31 December 2002

1 Accounting policies

The financial statements have been prepared under the historical cost convention.

The following principal accounting policies have been applied:

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties, freehold land and certain buildings, evenly over their expected useful lives. It is calculated at the following rates:

Furniture and fixtures	- 15% reducing balance
Office Equipment	- 15 - 25% reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Exchange differences are taken into account in arriving at the loss in the year and relate solely to transactions with the parent company.

1 Accounting policies (*continued*)

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

2 Going concern

These financial statements have been prepared on the going concern basis on the grounds that the ultimate controlling party has agreed to provide financial support.

3 Turnover

The proportion of turnover that is attributable to markets outside the United Kingdom is 17% (2001 - 22%).

Promo Only Limited

Notes forming part of the financial statements for the year ended 31 December 2002 *(Continued)*

4 Administrative expenses

An amount of £Nil (2001 - £96) has been written off within administrative expenses to agree the trade debtors to the underlying accounting records of the company.

5 Operating loss

	2002 £	2001 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	223	3,551
Loss on disposal of tangible fixed assets	15,350	-
Hire of other assets - operating leases	48,874	48,284
Audit services	5,000	6,000
	<hr/>	<hr/>

Promo Only Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

6 Directors' remuneration

No director received any emoluments during the current year (2001 - £NIL).

7 Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Total £
<i>Cost</i>			
At 1 January 2002	6,538	20,724	27,262
Additions	112	-	112
Disposals	(6,650)	(19,725)	(26,375)
	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	999	999
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2002	2,459	8,419	10,878
Provided for the year	-	223	223
Disposals	(2,459)	(8,091)	(10,550)
	<hr/>	<hr/>	<hr/>
At 31 December 2002	-	551	551
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2002	-	448	448
	<hr/>	<hr/>	<hr/>
At 31 December 2001	4,079	12,305	16,384
	<hr/>	<hr/>	<hr/>

Promo Only Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

8 Debtors

	2002 £	2001 £
Trade debtors	3,987	27,625
Other debtors	24,388	25,058
	<u>28,375</u>	<u>52,683</u>

All amounts shown under debtors fall due for payment within one year.

9 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	44,198	95,897
Amounts owed to group undertakings	1,176,115	994,270
Taxation and social security	8,266	12,678
Other creditors	1,276	5,659
Accruals and deferred income	13,447	37,998
	<u>1,243,302</u>	<u>1,146,502</u>

10 Share capital

	2002 £	Authorised 2001 £	Allotted, called up and fully paid 2002 £	2001 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>2</u>	<u>2</u>

Promo Only Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

11 Related party disclosures

At 31 December 2001 there was an amount due to Promo Only Inc, a company in which Mr R J Robinson and Mr P A Werner are the controlling parties, of 1,176,115 (2001- £994,270). There are no fixed terms for repayment.

During the year the company disposed of fixed assets at zero cost to Promo Only Inc. These assets had a fair value of approximately £4,500.

12 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	2002 Land and buildings £	2001 Land and buildings £
Operating leases which expire:		
Within one year	-	23,400
In two to five years	26,061	24,884
	<hr/>	<hr/>
	26,061	48,284
	<hr/>	<hr/>

13 Ultimate parent company

The company's ultimate controlling party is Promo Only Inc, a company incorporated in the USA, which is the parent of both the smallest and largest groups of which the company is a member.

Promo Only Inc has agreed to provide support for the company for the foreseeable future.