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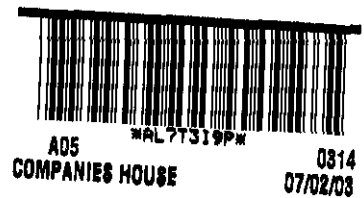
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Promo Only Limited

Report and Financial Statements

Year Ended

31 December 2001



BDO

BDO Stoy Hayward
Chartered Accountants

Promo Only Limited

Annual report and financial statements for the year ended 31 December 2001

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Directors

R J Robinson
P A Werner

Secretary and registered office

BLG (Professional Services) Limited, Chariot House, 4 Cromwell Place, London, SW7 2JE.

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 2001

The directors present their report together with the audited financial statements for the year ended 31 December 2001.

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.

Director

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 2001 (*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

4 February 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 2001 on pages 5 to 11 which have been prepared under the accounting policies set out on page 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 2001 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*

6 February 2003

Promo Only Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001 £	2000 £
Turnover	3	209,235	311,976
Cost of sales		169,352	276,818
		<hr/>	<hr/>
Gross profit		39,883	35,158
Administrative expenses		443,549	421,376
		<hr/>	<hr/>
Operating loss	5	(403,666)	(386,218)
Other interest receivable and similar income		671	1,132
Interest payable and similar charges		(405)	(36)
		<hr/>	<hr/>
Loss on ordinary activities before and after taxation for the financial year		(403,400)	(385,122)
Accumulated loss brought forward		(649,676)	(264,554)
		<hr/>	<hr/>
Accumulated loss carried forward		(1,053,076)	(649,676)
		<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 11 form part of these financial statements.

Promo Only Limited

Balance sheet at 31 December 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	7		16,384		19,267
Current assets					
Stocks		1,166		16,425	
Debtors	8	52,683		85,615	
Cash at bank and in hand		23,195		29,731	
		<u>77,044</u>		<u>131,771</u>	
Creditors: amounts falling due within one year	9	<u>1,146,502</u>		<u>800,712</u>	
Net current liabilities			<u>(1,069,458)</u>		<u>(668,941)</u>
Total assets less current liabilities			<u>(1,053,074)</u>		<u>(649,674)</u>
Capital and reserves					
Called up share capital	10		2		2
Profit and loss account			<u>(1,053,076)</u>		<u>(649,676)</u>
Equity shareholders' funds			<u>(1,053,074)</u>		<u>(649,674)</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 4 February 2003

R J Robinson
Director

The notes on pages 7 to 11 form part of these financial statements.

1 Accounting policies

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

The following principal accounting policies have been applied:

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that it is a 'small' company under the Companies Act 1985.

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.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

1 Accounting policies (continued)

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 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 22% (2000 - 9%).

4 Administrative expenses

An amount of £96 (2000 - £9,930) has been written off within administrative expenses to agree the trade debtors to the underlying accounting records of the company.

5 Operating loss

	2001 £	2000 £
This is arrived at after charging:		
Depreciation of tangible fixed assets	3,551	3,976
Hire of other assets - operating leases	48,284	48,284
Audit services	6,000	8,000
Exchange differences	21,912	45,550
	<hr/>	<hr/>

Promo Only Limited

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

6 Directors' remuneration

	2001 £	2000 £
Aggregate emoluments, pension contributions and amounts receivable under long term incentive schemes	-	13,843

7 Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Total £
<i>Cost</i>			
At 1 January 2001	6,538	20,056	26,594
Additions	-	668	668
	<u>6,538</u>	<u>20,724</u>	<u>27,262</u>
At 31 December 2001	6,538	20,724	27,262
<i>Depreciation</i>			
At 1 January 2001	1,720	5,607	7,327
Provided for the year	739	2,812	3,551
	<u>2,459</u>	<u>8,419</u>	<u>10,878</u>
At 31 December 2001	2,459	8,419	10,878
<i>Net book value</i>			
At 31 December 2001	<u>4,079</u>	<u>12,305</u>	<u>16,384</u>
At 31 December 2000	<u>4,818</u>	<u>14,449</u>	<u>19,267</u>

• **Promo Only Limited**

• **Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)**

8 Debtors

	2001 £	2000 £
Trade debtors	27,625	62,015
Other debtors	25,058	23,600
	<u>52,683</u>	<u>85,615</u>

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

9 Creditors: amounts falling due within one year

	2001 £	2000 £
Trade creditors	95,897	61,644
Amounts owed to group undertakings	994,270	658,631
Taxation and social security	12,679	16,546
Other creditors	43,656	63,891
	<u>1,146,502</u>	<u>800,712</u>

10 Share capital

	2001 £	Authorised 2000 £	Allotted, called up and fully paid 2001 £	2000 £
<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 2001 (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 £994,270 (2000- £658,631). There are no fixed terms for repayment.

12 Commitments under operating leases

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

	2001 Land and buildings £	2000 Land and buildings £
Operating leases which expire:		
Within one year	23,400	23,400
After five years	24,884	24,884
	<hr/>	<hr/>
	48,284	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.