

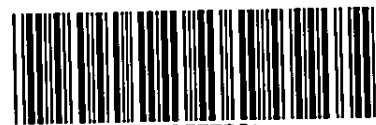
Company Registration No. 315155

## MUSIC SALES LIMITED

### Report and Financial Statements

30 June 2007

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( - 23/04/2008)

# **MUSIC SALES LIMITED**

## **REPORT AND FINANCIAL STATEMENT 2007**

### **CONTENTS**

### **Page**

**Officers and professional advisers**

**1**

**Directors' report**

**2**

**Independent auditors' report**

**4**

**Profit and loss account**

**6**

**Balance sheet**

**7**

**Notes to the financial statements**

**8**

# **MUSIC SALES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2007**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

R Wise  
M B Wise  
I C Morgan  
D B Rockberger  
C M Butler  
D E A Vass  
P J Lower

#### **SECRETARY**

A V Hughes

#### **REGISTERED OFFICE**

14/15 Berners Street  
London  
W1T 3LJ

#### **BANKERS**

Barclays Bank Plc  
Media Banking Centre  
27 Soho Square  
London  
W1D 3QR

#### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London

# **MUSIC SALES LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the 18 months ended 31 December 2007

### **BUSINESS REVIEW AND PRINCIPAL ACTIVITIES**

The company continues to be engaged in the publishing of printed music and represents many of the large UK and US music publishers for their printed music. In addition, it is engaged in the distribution of printed music, books, music DVDs and music software. There have not been any significant changes in the company's principal activities in the period under review. The directors are not aware, at the date of this report, of any likely changes in the company's activities in the forthcoming year.

As shown in the company's profit and loss account on page 6, the company's sales have increased by 53.2% over the prior year, predominantly due to the longer reporting period. The company made an operating loss of £2,432,160 (2005, a twelve month period, - loss of £558,092).

The balance sheet on page 7 shows that the company's financial position at the period end is broadly consistent with the prior year in net asset terms. The company's cash levels at 30 June 2007 were £694,283 (31 December 2005 - overdraft of £56,698).

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The company operates in a highly competitive market which is a continuing risk to the company and could result in losing sales to its key competitors. The company manages this risk by providing high quality services to its customers, having fast response times to customer queries and maintaining strong relationships with its customers.

The company's sales to its customers are largely worldwide and therefore the company is exposed to movement in exchange rates. The company sources some of its products in local territories and therefore minimises the risk of exchange rate fluctuations by operating local currency bank accounts.

The company is also financed by long term loan facilities.

### **DIRECTORS**

The directors who served during the period were as follows:

R Wise  
M P Grabham (died 4 February 2006)  
M B Wise  
I C Morgan  
D B Rockberger  
C M Butler  
D E A Vass  
H J Power (resigned 31 January 2007)  
P J Lower

### **DONATIONS**

Donations to charitable organisations amounted to £50,000 (year to 31 December 2005 - £54,445).

### **EMPLOYEES**

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company. The company supports the employment of disabled people wherever possible.

# MUSIC SALES LIMITED

## DIRECTORS' REPORT

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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,
- state whether applicable accounting standards have been followed
- 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.

### AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP were appointed as auditors during the period. Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

23 April 2008



A V Hughes  
Secretary

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUSIC SALES LIMITED**

We have audited the financial statements of Music Sales Limited for the 18 months ended 30 June 2007 which comprise the profit and loss account the balance sheet and the related notes 1 to 23. These financial statements have been prepared under 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 auditors' 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MUSIC SALES LIMITED (continued)**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and of its loss for the 18 months then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London, United Kingdom

29 April 2008

# MUSIC SALES LIMITED

## PROFIT AND LOSS ACCOUNT 18 months ended 30 June 2007

	Note	18 months to 30 June 2007 £	Year to 31 December 2005 £
<b>TURNOVER</b>	2	48,654,273	31,766,770
Cost of sales		(28,464,653)	(19,459,957)
Gross profit		20,189,620	12,306,813
Distribution costs		(6 550,127)	(4,082,483)
Administrative expenses		(20,053,688)	(14,889,916)
Other operating income		3,982,035	6 107,494
<b>OPERATING LOSS</b>	4	(2,432,160)	(558,092)
Income from shares in group undertakings	5	221,195	802,858
Interest receivable and similar income	6	270,316	183,914
Interest payable and similar charges	7	(72,967)	(4,750)
<b>(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(2 013,616)	423,930
Tax on (loss) profit on ordinary activities	8	(185,183)	(72,961)
<b>(LOSS) PROFIT FOR THE FINANCIAL PERIOD</b>	17	(2 198,799)	350,969

All activities derive from continuing operations

There are no recognised gains and losses other than as stated above. Accordingly no statement of total recognised gains and losses is given.



# MUSIC SALES LIMITED

## BALANCE SHEET 30 June 2007

	Note	30 June 2007 £	31 December 2005 £
<b>FIXED ASSETS</b>			
Intangible assets	9	943 090	1 126 115
Tangible assets	10	881 022	983 461
Investments	11	8,843,256	8,821,814
		<u>10 667 368</u>	<u>10 931 390</u>
<b>CURRENT ASSETS</b>			
Stocks	12	8,287,466	7,918,812
Debtors			
Amounts falling due within one year	13	18 861 201	17 749 100
Amounts falling due after more than one year	13	1,009 421	1,654 567
Cash at bank and in hand		<u>694,283</u>	<u>-</u>
		28 852,371	27 322,479
<b>CREDITORS: amounts falling due within one year</b>	14	<u>17 113,498</u>	<u>13,648 829</u>
<b>NET CURRENT ASSETS</b>		<u>11 738,873</u>	<u>13,673,650</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>22,406 241</u>	<u>24 605 040</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	21,000	21 000
Profit and loss account	17	<u>22 385 241</u>	<u>24 584,040</u>
<b>SHAREHOLDERS' FUNDS</b>	18	<u>22,406 241</u>	<u>24,605 040</u>

These financial statements were approved by the Board of Directors on 23 April 2008

Signed on behalf of the Board of Directors



Director

# MUSIC SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 18 months ended 30 June 2007

### 1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and preceding year.

#### **Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

#### **Consolidation**

Group accounts have not been prepared as the company is a wholly owned subsidiary of a company registered in England and Wales which prepares group accounts.

#### **Cash flow statement**

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 (revised) 'Cash flow statements' and has not prepared a cash flow statement. A consolidated cash flow statement is shown in the consolidated accounts of Music Sales Group Limited.

#### **Turnover**

Turnover is the total amount of royalties receivable and other income receivable by the company in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT.

#### **Investments**

Investments are included at cost less amounts written off. Listed investments are shown at cost or market value, if this is lower. Profits or losses arising from disposals of fixed asset investments are treated as part of the results from ordinary activities.

Where investments in group undertakings include copyrights, the copyrights are classified under intangible fixed assets.

#### **Intangible fixed assets**

Amortisation is calculated to write off the cost of an asset, less estimated residual value, over the useful economic life of the asset as follows:

Copyrights	10-20 years
------------	-------------

#### **Tangible fixed assets**

Depreciation is calculated to write off the cost of an asset, less estimated residual value, over the useful economic life of the asset as follows:

Leasehold property	10 years
Fixtures, fittings and equipment	3-5 years
Motor vehicles	4 years

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost represents the purchase or production price of goods plus an apportionment of overheads directly attributable to stock holding.

Work in progress is valued on the basis of direct costs based on normal levels of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

# MUSIC SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 18 months ended 30 June 2007

### 1 ACCOUNTING POLICIES (continued)

#### Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

#### Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

#### Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

#### Joint arrangement

The financial statements account for the company's own assets, liabilities and cash flows measured according to the terms of the agreement governing the arrangement.

### 2. TURNOVER

The turnover and profit before taxation have been derived from the company's continuing activities and are attributable to the publishing, wholesale and retail distribution of printed music and books.

An analysis of turnover by geographical market is given below.

	18 months to 30 June 2007 £	Year to 31 December 2005 £
United Kingdom	32,967,752	21,802,134
Other European countries	12,373,535	8,014,225
USA and Canada	721,752	556,053
Australia and New Zealand	943,518	368,431
Other countries	1,647,716	1,025,927
	<u>48,654,273</u>	<u>31,766,770</u>

# MUSIC SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

18 months ended 30 June 2007

### 3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	18 months to 30 June 2007 £	Year to 31 December 2005 £
<b>Directors' emoluments</b>		
Emoluments receivable	2,246,665	1 645 586
Value of company pension contributions to money purchase schemes	491 159	281 244
	<u>2,737,824</u>	<u>1 926,830</u>
 <b>Emoluments of highest paid director</b>		
Total emoluments (excluding pension contributions)	<u>674,888</u>	<u>494,447</u>
	<b>No</b>	<b>No</b>
 <b>The number of directors who accrued benefits under company pension schemes was as follows:</b>		
Money purchase schemes	<u>6</u>	<u>7</u>
 <b>The average number of staff employed by the company during the financial period amounted to:</b>		
Distribution	240	253
Administrative	<u>127</u>	<u>128</u>
	<u>367</u>	<u>381</u>
	<b>£</b>	<b>£</b>
 <b>The aggregate payroll costs of the above were:</b>		
Wages and salaries	12,487,634	8,956,312
Social security costs	1,324,206	905,907
Other pension costs	<u>937,156</u>	<u>550,182</u>
	<u>14,748,996</u>	<u>10,412,401</u>

All employees are employed by Music Sales Limited. A proportion of the above costs is recharged to group and related companies in respect of services provided by these employees to these companies.

# MUSIC SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 18 months ended 30 June 2007

### 4. OPERATING LOSS

	18 months to 30 June 2007 £	Year to 31 December 2005 £
<b>Operating loss is after charging (crediting)</b>		
Amortisation	200,246	69,982
Depreciation of owned fixed assets	657,224	472,824
Profit on disposal of fixed assets	(16,133)	(1,063)
Auditors' remuneration	166,130	126,247
Operating lease rentals		
Land and buildings	1,305,630	968,843
Other	515,969	343,979
Net loss (profit) on foreign currency translation	67,999	(62,655)

### 5. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	18 months to 30 June 2007 £	Year to 31 December 2005 £
Dividends receivable from group undertakings	221,195	802,858

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	18 months to 30 June 2007 £	Year to 31 December 2005 £
Interest receivable from other companies	270,316	183,914

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	18 months to 30 June 2007 £	Year to 31 December 2005 £
Interest payable on bank borrowing	15,967	2,950
Other interest	57,000	-
Other similar charges payable	-	1,800
	72,967	4,750

# MUSIC SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

18 months ended 30 June 2007

### 8 TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES

	18 months to 30 June 2007 £	Year to 31 December 2005 £
<b>Current tax</b>		
United Kingdom corporation tax based on the result for the period at 30%	-	53,526
Adjustment to prior year	161,857	24,570
	<u>161,857</u>	<u>78,096</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	23,326	(5,135)
	<u>185,183</u>	<u>72,961</u>

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 30% (year to 31 December 2005 - 30%) The actual tax charge for the current period and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation

	18 months to 30 June 2007 £	Year to 31 December 2005 £
(Loss) profit on ordinary activities before tax	<u>(2,013,616)</u>	<u>423,930</u>
Tax on (loss) profit on ordinary activities at standard rate	(604,085)	127,179
<b>Factors affecting charge for the period</b>		
Expenses not deductible for tax purposes	136,923	167,743
Capital allowances in deficit (excess) of depreciation	19,805	(7,128)
Adjustments to tax charge in respect of previous periods	161,857	24,570
Dividend and distribution income	(30,048)	(209,161)
Double taxation relief	-	(25,107)
Tax losses surrendered for nil consideration	<u>477,405</u>	<u>-</u>
Total actual amount of current tax	<u>161,857</u>	<u>78,096</u>

# MUSIC SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 18 months ended 30 June 2007

### 9 INTANGIBLE FIXED ASSETS

	Copyrights £
<b>Cost</b>	
At 1 January 2006	1,620,489
Transfer from group companies	25,000
	<hr/>
At 30 June 2007	1,645 489
<b>Amortisation</b>	
At 1 January 2006	494,374
Charge for the year	200 246
Transfer from group companies	7,779
	<hr/>
At 30 June 2007	702 399
<b>Net book value</b>	
At 30 June 2007	<hr/> <hr/> 943 090
At 31 December 2005	<hr/> <hr/> 1 126 115

### 10. TANGIBLE FIXED ASSETS

	Leasehold land and buildings improve- ments £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2006	323,784	6,898,096	59,328	7,281,208
Additions	206 506	353,737	-	560,243
Disposals	-	(11,296)	(31,823)	(43 119)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2007	530,290	7,240,537	27,505	7,798,332
<b>Depreciation</b>				
At 1 January 2006	200,682	6,060,579	36,486	6,297,747
Charge for the period	36,970	610,465	9,789	657 224
On disposals	-	(5,838)	(31 823)	(37 661)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2007	237,652	6,665,206	14,452	6,917,310
<b>Net book value</b>				
At 30 June 2007	<hr/> <hr/> 292 638	<hr/> <hr/> 575 331	<hr/> <hr/> 13,053	<hr/> <hr/> 881 022
At 31 December 2005	<hr/> <hr/> 123,102	<hr/> <hr/> 837 517	<hr/> <hr/> 22,842	<hr/> <hr/> 983,461

# MUSIC SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 18 months ended 30 June 2007

### 11. INVESTMENTS HELD AS FIXED ASSETS

	Shares in group undertakings £	Unlisted investments £	Listed investments £	Total £
<b>Cost</b>				
At 1 January 2006	9 063,897	37 672	9 836	9,111 405
Additions	-	20 642	-	20 642
	<u>9,063,897</u>	<u>58,314</u>	<u>9,836</u>	<u>9,132,047</u>
At 30 June 2007	9,063,897	58,314	9,836	9,132,047
<b>Amounts written off</b>				
At 1 January 2006	286,102	-	3 489	289 591
Written back in period	-	-	(800)	(800)
	<u>286,102</u>	<u>-</u>	<u>2,689</u>	<u>288,791</u>
At 30 June 2007	286,102	-	2,689	288,791
<b>Net book value</b>				
At 30 June 2007	<u>8 777,795</u>	<u>58 314</u>	<u>7 147</u>	<u>8 843 256</u>
At 31 December 2005	<u>8,777,795</u>	<u>37 672</u>	<u>6 347</u>	<u>8,821 814</u>

In the opinion of the directors the aggregate value of the shares in the group undertakings is not less than the aggregate amount at which those assets are stated in Music Sales Limited's balance sheet. The listed investments above reflect the market value at the time the financial statements were approved by the board.



# MUSIC SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 18 months ended 30 June 2007

### 11. INVESTMENTS HELD AS FIXED ASSETS (continued)

At 30 June 2007 the company held more than 20% of the allocated share capital of the following undertakings

Subsidiaries	Country of incorporation	Proportion held	Nature of business
Bobcat Books Limited	England and Wales	100% directly	Book publishing
Campbell, Connelly & Co Limited	England and Wales	100% directly	Music publishing
Bransdene Inc	USA	100% indirectly	Music publishing
Campbell Connelly (France) SARL	France	100% indirectly	Music publishing
Campbell Connelly Inc	USA	100% indirectly	Music publishing
G Schirmer Limited	England and Wales	100% indirectly	Music publishing
Music in Print Limited	England and Wales	100% directly	Music retailing
Banks & Son (Music) Limited	England and Wales	100% indirectly	Music retailing
Casevalue com Limited	England and Wales	75% directly, 100% preference directly	Wine retailing
Edition Wilhelm Hansen GmbH	Germany	100% directly	Music publishing
Music Sales Properties Limited	England and Wales	100% directly	Property company
Music Sales Properties No 2 Limited	England and Wales	100% indirectly	Property company
Edition Wilhelm Hansen AS Copenhagen	Denmark	100% directly	Music publishing
Chester Music Limited	England and Wales	100% indirectly	Music publishing
Edition Wilhelm Hansen AB Helsinki	Finland	100% indirectly	Music publishing
Union Musical Ediciones SL	Spain	100% directly	Music publishing
K K Music Sales	Japan	100% directly	Music publishing
McCullough Pigott (Music Shops) Limited	Eire	100% directly	Music retailing
Orange Sky Music Limited	England and Wales	100% directly	Music publishing
Yellow Sky Music Limited	England and Wales	100% directly	Music publishing
Cinephonic Music Company Limited	England and Wales	100% indirectly	Music publishing
Garber Music Limited	England and Wales	100% indirectly	Music publishing
Percy Prior's Music Limited	England and Wales	100% indirectly	Music retailing
J Wood & Sons Limited	England and Wales	100% indirectly	Record, music and instrument retailing
<b>Associates</b>			
Twangy Music Limited	England and Wales	50% indirectly	Music publishing
Glad Music Limited	England and Wales	50% indirectly	Music publishing
Veronica Music Limited	England and Wales	50% indirectly	Music publishing
Doxton Limited	England and Wales	50% indirectly	Music publishing
<b>Joint venture</b>			
Hai Leonard Europe Limited	England and Wales	50% directly	Music publishing

A complete list of the subsidiary and associated undertakings (trading and dormant) will be attached to the Annual Return made to the Registrar of Companies

# MUSIC SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 18 months ended 30 June 2007

### 12. STOCKS

	30 June 2007 £	31 December 2005 £
Raw materials	287,838	284,692
Work in progress	297,130	505,514
Finished goods	7,702,498	7,128,606
	<u>8,287,466</u>	<u>7,918,812</u>

There were no significant differences between the replacement cost and values disclosed for any categories of stock

### 13 DEBTORS

	30 June 2007 £	31 December 2005 £
<b>Amounts falling due within one year</b>		
Trade debtors	3,140,399	5,597,606
Amounts owed by group undertakings	11,412,818	6,088,113
Amounts owed by related undertakings	2,477,663	2,063,565
Other debtors	915,800	387,872
Taxation recoverable	277,386	212,132
Prepayments and accrued income	408,859	3,148,210
Deferred taxation (note 15)	228,276	251,602
	<u>18,861,201</u>	<u>17,749,100</u>
<b>Amounts falling due after more than one year</b>		
Amounts owed by related undertakings	<u>1,009,421</u>	<u>1,654,567</u>

### 14. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2007 £	31 December 2005 £
Bank loans and overdrafts	1,815,868	59,698
Trade creditors	2,334,736	4,429,359
Amounts owed to group undertakings	6,882,355	4,680,155
Amounts owed to related undertakings	3,302,684	1,868,332
Corporation tax	-	53,526
Other taxation and social security	247,936	450,465
Other creditors	712,431	30,679
Accruals and deferred income	1,817,488	2,076,615
	<u>17,113,498</u>	<u>13,648,829</u>

The bank loans are secured by charges over the assets of the company or subsidiary undertakings and cross guarantees from certain subsidiary and related undertakings

# MUSIC SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 18 months ended 30 June 2007

### 15 DEFERRED TAXATION

The deferred tax included in the balance sheet is as follows

	£
At 1 January 2006	251,602
Profit and loss account charge	(23 326)
At 30 June 2007	<u>228 276</u>
The balance consists of	

	Recognised		Unrecognised	
	30 June	31 December	30 June	31 December
	2007	2005	2007	2005
	£	£	£	£
Capital allowances in excess of depreciation	207,639	251,602	-	-
Other timing differences	20,637	-	-	-
	<u>228,276</u>	<u>251,602</u>	<u>-</u>	<u>-</u>

### 16. CALLED UP SHARE CAPITAL

	30 June	31 December
	2007	2005
	£	£
<b>Authorised</b>		
21,000 ordinary shares of £1 each	<u>21,000</u>	<u>21,000</u>
 <b>Called up, allotted and fully paid</b>		
21,000 ordinary shares of £1 each	<u>21,000</u>	<u>21,000</u>

### 17. PROFIT AND LOSS ACCOUNT

	£
At 1 January 2006	24,584,040
Loss for the financial period	(2,198,799)
At 30 June 2007	<u>22,385,241</u>

# MUSIC SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 18 months ended 30 June 2007

### 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 June 2007 £	31 December 2005 £
(Loss) profit for the financial period	(2 198,799)	350,969
Net (reduction in) addition to shareholders' funds	(2,198 799)	350,969
Opening shareholders' funds	24 605 040	24,254 071
Closing shareholders' funds	<u>22 406,241</u>	<u>24,605 040</u>

### 19. ROYALTY COMMITMENTS

Royalty advance payment commitments fall due as follows

	30 June 2007 £	31 December 2005 £
Within one year	2,131,110	1,886 624
After one and within five years	1 551,271	4,321 650
	<u>3 682 381</u>	<u>6 208 274</u>

### 20. OPERATING LEASE COMMITMENTS

At 30 June 2007 the company had annual commitments under non-cancellable operating leases which expire as set out below

	Land and buildings 31		Other items 31	
	30 June 2007 £	December 2005 £	30 June 2007 £	December 2005 £
Leases which expire				
Within one year	-	-	282,077	53 019
Between two and five years	465 000	-	61,903	44,193
After more than five years	819 030	612 030	-	-
	<u>1 284 030</u>	<u>612,030</u>	<u>343,980</u>	<u>97 212</u>

### 21. CONTINGENT LIABILITIES

The company has given cross guarantees on behalf of the group and related companies to their bankers. The maximum exposure at 30 June 2007 was £487 500 (31 December 2005 - £650,000)

The company is included in a group registration for VAT purposes and is therefore jointly and severally liable for all other Music Sales Group companies' unpaid debts in this connection

## MUSIC SALES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

18 months ended 30 June 2007

#### 22 RELATED PARTY TRANSACTIONS

During the year the company entered into transactions and arrangements on normal commercial terms with Music Sales Corporation and Music Sales (Pty) Limited. R Wise is a shareholder of both companies.

Details of these transactions are given below:

	30 June 2007 £	31 December 2005 £
Goods sold by Music Sales Limited to		
Music Sales Corporation	431,776	407,106
Music Sales (Pty) Limited	659,156	341,684
Goods purchased by Music Sales Limited from		
Music Sales Corporation	1,189,914	538,852
Music Sales (Pty) Limited	32,844	8,032

During the period the company recharged expenses and charged management fees to the Novello group of companies totalling £239,008 (year to 31 December 2005 - £145,008). The Novello group is related to the company by virtue of common directorships.

The company rents an apartment in New York from M B Wise at an annual rent of \$52,000.

At 30 June 2007, loan advances amounting to £1,535,023 (31 December 2005 - £1,654,567) were receivable from companies related to Music Sales Limited by virtue of common management. An amount of £129,522 (year to 31 December 2005 - £101,861) was receivable as interest and guarantee fees during the period.

Details of balances with related parties are disclosed in notes 13 and 14.

As the company is a subsidiary undertaking of Music Sales Group Limited, the company is exempt from the requirements of Financial Reporting Standard No 8 'Related party disclosures' to disclose transactions with members of the group headed by Music Sales Group Limited.

#### 23. ULTIMATE PARENT COMPANY

The ultimate parent company of this company is Newman Street Investments Limited, which is registered in Jersey. Music Sales Group Limited is the largest and smallest undertaking for which group accounts are prepared. Group accounts are available from 14/15 Berners Street, London W1T 3LJ. The immediate controlling party is Music Sales Group Limited, a company registered in England.