

MUSIC SALES LIMITED

Report and Financial Statements

30 June 2008

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MUSIC SALES LIMITED

REPORT AND FINANCIAL STATEMENT 2008

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MUSIC SALES LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Wise
M B Wise
I C Morgan
D B Rockberger
C M Butler
A E Latham

REGISTERED OFFICE

14/15 Berners Street
London
W1T 3LJ

BANKERS

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

AUDITORS

Deloitte 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 year ended 30 June 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Group is engaged in the publishing, wholesaling and retailing of printed music, books, music videos and music software and represents many of the large UK and US music publishers for their printed music. The Group is also a publisher of standard and classical music copyrights. There have not been any significant changes in the Group's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely changes in the Group's activities in the forthcoming year.

As shown in the company's profit and loss account on page 6, the company's sales have decreased by 39.5% over the prior period, predominantly due to the shorter reporting period. The company made an operating loss for the financial year of £665,325 (2007 - loss of £2,432,160).

The balance sheet on page 7 shows that the company's financial position at the year end is broadly consistent with the prior period in net asset terms. The company's cash levels at 30 June 2008 were £1,820,568 (2007 - £694,283).

The group takes care to minimise the impact of its operation on the environment.

The directors consider there are no non-financial indicators that impact the business.

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 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 year were as follows:

R Wise
M B Wise
I C Morgan
D B Rockberger
C M Butler
D E A Vass (resigned 22 October 2008)
A E Latham (appointed 19 May 2008)
P J Lower (resigned 18 April 2008)

DONATIONS

Donations to charitable organisations amounted to £33,000 (18 months to 30 June 2007 - £50,000).

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 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



9 January 2009

A E Latham
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MUSIC SALES LIMITED

We have audited the financial statements of Music Sales Limited for the year ended 30 June 2008 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 2008 and of its loss for the year 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 LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

12 January 2009

MUSIC SALES LIMITED

PROFIT AND LOSS ACCOUNT Year ended 30 June 2008

	Note	Year ended 30 June 2008 £	18 months to 30 June 2007 £
TURNOVER	2	29,435,257	48,654,273
Cost of sales		(14,850,367)	(28,464,653)
Gross profit		14,584,890	20,189,620
Distribution costs		(4,057,150)	(6,550,127)
Administrative expenses		(13,805,440)	(20,053,688)
Other operating income		2,612,375	3,982,035
OPERATING LOSS	4	(665,325)	(2,432,160)
Income from shares in group undertakings	5	234,835	221,195
Interest receivable and similar income	6	86,123	270,316
Interest payable and similar charges	7	(34,736)	(72,967)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(379,103)	(2,013,616)
Tax on loss on ordinary activities	8	44,926	(185,183)
LOSS FOR THE FINANCIAL YEAR	17	(334,177)	(2,198,799)

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 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Intangible assets	9	846,912	943,090
Tangible assets	10	712,015	881,022
Investments	11	8,847,318	8,843,256
		<u>10,406,245</u>	<u>10,667,368</u>
CURRENT ASSETS			
Stocks	12	6,608,165	8,287,466
Debtors			
Amounts falling due within one year	13	20,695,868	18,861,201
Amounts falling due after more than one year	13	882,753	1,009,421
Cash at bank and in hand		<u>1,820,568</u>	<u>694,283</u>
		30,007,354	28,852,371
CREDITORS: amounts falling due within one year	14	<u>(18,341,535)</u>	<u>(17,113,498)</u>
NET CURRENT ASSETS		<u>11,665,819</u>	<u>11,738,873</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>22,072,064</u>	<u>22,406,241</u>
CAPITAL AND RESERVES			
Called up share capital	16	21,000	21,000
Profit and loss account	17	<u>22,051,064</u>	<u>22,385,241</u>
SHAREHOLDERS' FUNDS	18	<u>22,072,064</u>	<u>22,406,241</u>

These financial statements were approved by the Board of Directors and authorised for issue on

9 January 2009

Signed on behalf of the Board of Directors


A E Latham

Director

MUSIC SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

1. ACCOUNTING POLICIES

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

Basis of preparation

The financial statements are prepared on the going concern basis under the historical cost convention modified to include the revaluation of certain fixed assets and listed investments which are included at market value where this is lower than cost 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.

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

Year ended 30 June 2008

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:

	Year ended 30 June 2008 £	18 months to 30 June 2007 £
United Kingdom	21,943,300	32,967,752
Other European countries	5,955,775	12,373,535
USA and Canada	211,706	721,752
Australia and New Zealand	307,950	943,518
Other countries	1,016,526	1,647,716
	<u>29,435,257</u>	<u>48,654,273</u>

MUSIC SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 30 June 2008 £	18 months to 30 June 2007 £
Directors' emoluments		
Emoluments receivable	2,307,731	2,246,665
Value of company pension contributions to money purchase schemes	280,036	491,159
	<u>2,587,767</u>	<u>2,737,824</u>
 Emoluments of highest paid director		
Total emoluments (excluding pension contributions)	<u>939,483</u>	<u>674,888</u>
	No	No
 The number of directors who accrued benefits under company pension schemes was as follows:		
Money purchase schemes	<u>6</u>	<u>6</u>
 The average number of staff employed by the company during the financial year amounted to:		
Distribution	249	240
Administrative	129	127
	<u>378</u>	<u>367</u>
	£	£
 The aggregate payroll costs of the above were:		
Wages and salaries	8,700,118	12,487,634
Social security costs	947,842	1,324,206
Other pension costs	577,031	937,156
	<u>10,224,991</u>	<u>14,748,996</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

Year ended 30 June 2008

4. OPERATING PROFIT

	Year ended 30 June 2008 £	18 months to 30 June 2007 £
Operating loss is after charging (crediting):		
Amortisation	96,178	200,246
Depreciation of owned fixed assets	311,094	657,224
Profit on disposal of fixed assets	(10,130)	(16,133)
Auditors' remuneration	97,558	142,102
Tax services	16,496	24,028
Operating lease rentals		
Land and buildings	1,211,998	1,305,630
Other	113,261	515,969
Net loss on foreign currency translation	37,446	67,999

5. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	Year ended 30 June 2008 £	18 months to 30 June 2007 £
Dividends receivable from group undertakings	234,835	221,195

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 June 2008 £	18 months to 30 June 2007 £
Interest receivable from other companies	24,720	155,684
Bank account interest receivable	61,403	114,632
	86,123	270,316

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 June 2008 £	18 months to 30 June 2007 £
Interest payable on bank borrowing	34,736	15,967
Other interest	-	57,000
	34,736	72,967

MUSIC SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 30 June 2008 £	18 months to 30 June 2007 £
Current tax		
United Kingdom corporation tax based on the result for the year at 29.5% (18 months to 30 June 2007 - 30%)	(60,070)	-
Adjustment to prior year	-	161,857
	<u>(60,070)</u>	<u>161,857</u>
Deferred taxation		
Origination and reversal of timing differences	15,144	23,326
	<u>(44,926)</u>	<u>185,183</u>

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 28% (2007 - 30%). The actual tax charge for the current and the previous year differs from the standard tax rate for the reasons set out in the following reconciliation:

	Year ended 30 June 2008 £	18 months to 30 June 2007 £
Loss on ordinary activities before tax	(379,103)	(2,013,616)
Tax on loss on ordinary activities at standard rate	(111,835)	(604,085)
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	80,417	136,923
Capital allowances in (excess) deficit of depreciation	(49,696)	19,805
Adjustments to tax charge in respect of previous periods	-	161,857
Foreign tax credits not utilised in period	21,044	-
Dividend and distribution income	-	(30,048)
Tax losses surrendered for nil consideration	-	477,405
Total actual amount of current tax	<u>(60,070)</u>	<u>161,857</u>

In March 2007 the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28% with effect from 1 April 2008. This legislation was substantively enacted on the 26 June 2007. As a consequence the deferred tax balances are now stated at 28% of the temporary differences, in addition the blended current tax rate for the year ended 30 June 2008 has reduced to 29.5%.

MUSIC SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

9. INTANGIBLE FIXED ASSETS

	Copyrights £
Cost	
At 1 July 2007 and at 30 June 2008	1,645,489
Amortisation	
At 1 July 2007	702,399
Charge for the year	96,178
At 30 June 2008	798,577
Net book value	
At 30 June 2008	846,912
At 30 June 2007	943,090

10. TANGIBLE FIXED ASSETS

	Leasehold land and buildings improve- ments £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 July 2007	530,290	7,240,537	27,505	7,798,332
Additions	27,060	120,967	-	148,027
Disposals	-	(11,387)	-	(11,387)
At 30 June 2008	557,350	7,350,117	27,505	7,934,972
Depreciation				
At 1 July 2007	237,652	6,665,206	14,452	6,917,310
Charge for the year	34,347	270,221	6,526	311,094
On disposals	-	(5,447)	-	(5,447)
At 30 June 2008	271,999	6,929,980	20,978	7,222,957
Net book value				
At 30 June 2008	285,351	420,137	6,527	712,015
At 30 June 2007	292,638	575,331	13,053	881,022

MUSIC SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

11. INVESTMENTS HELD AS FIXED ASSETS

	Shares in group underta- kings £	Unlisted investments £	Listed investments £	Total £
Cost				
At 1 July 2007	9,063,897	58,314	9,836	9,132,047
Addition in year	-	4,293	-	4,293
At 30 June 2008	9,063,897	62,607	9,836	9,136,340
Amounts written off				
At 1 July 2007	286,102	-	2,689	288,791
Adjustment in year	231	-	-	231
At 30 June 2008	286,333	-	2,689	289,022
Net book value				
At 30 June 2008	8,777,564	62,607	7,147	8,847,318
At 30 June 2007	8,777,795	58,314	7,147	8,843,256

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

Year ended 30 June 2008

11. INVESTMENTS HELD AS FIXED ASSETS (continued)

At 30 June 2008 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
Bramsdene 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
Associates			
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
Joint venture			
Hal 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 Year ended 30 June 2008

12. STOCKS

	2008 £	2007 £
Raw materials	371,470	287,838
Work in progress	379,226	297,130
Finished goods	5,857,469	7,702,498
	<u>6,608,165</u>	<u>8,287,466</u>

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

13. DEBTORS

	2008 £	2007 £
Amounts falling due within one year		
Trade debtors	3,790,257	3,140,399
Amounts owed by group undertakings	12,154,569	11,412,818
Amounts owed by related undertakings	3,003,554	2,477,663
Other debtors	738,713	915,800
Taxation recoverable	146,133	277,386
Prepayments and accrued income	649,510	408,859
Deferred taxation (note 15)	213,132	228,276
	<u>20,695,868</u>	<u>18,861,201</u>
Amounts falling due after more than one year		
Amounts owed by related undertakings	<u>882,753</u>	<u>1,009,421</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Bank overdraft	950,579	1,815,868
Trade creditors	1,653,863	2,334,736
Amounts owed to group undertakings	9,004,426	6,882,355
Amounts owed to related undertakings	4,398,342	3,302,684
Other taxation and social security	292,690	247,936
Other creditors	895,863	712,431
Accruals and deferred income	1,145,772	1,817,488
	<u>18,341,535</u>	<u>17,113,498</u>

The bank overdrafts are unsecured.

MUSIC SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

15. DEFERRED TAXATION

The deferred tax included in the balance sheet is as follows:

	£
At 1 July 2007	228,276
Profit and loss account charge	(15,144)
At 30 June 2008	<u>213,132</u>

The balance consists of:

	Recognised		Unrecognised	
	2008	2007	2008	2007
	£	£	£	£
Capital allowances in excess of depreciation	195,498	207,639	-	-
Other timing differences	17,634	20,637	-	-
	<u>213,132</u>	<u>228,276</u>	<u>-</u>	<u>-</u>

16. CALLED UP SHARE CAPITAL

	2008	2007
	£	£
Authorised		
21,000 ordinary shares of £1 each	<u>21,000</u>	<u>21,000</u>
 Called up, allotted and fully paid		
21,000 ordinary shares of £1 each	<u>21,000</u>	<u>21,000</u>

17. PROFIT AND LOSS ACCOUNT

	£
At 1 July 2007	22,385,241
Loss for the financial year	(334,177)
At 30 June 2008	<u>22,051,064</u>

MUSIC SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2008

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Loss for the financial year	(334,177)	(2,198,799)
Net reduction in shareholders' funds	(334,177)	(2,198,799)
Opening shareholders' funds	22,406,241	24,605,040
Closing shareholders' funds	22,072,064	22,406,241

19. ROYALTY COMMITMENTS

Royalty advance payment commitments fall due as follows:

	2008 £	2007 £
Within one year	1,553,744	2,131,110
After one and within five years	1,364,658	1,551,271
	2,918,402	3,682,381

20. OPERATING LEASE COMMITMENTS

At 30 June 2008 the company had annual commitments under non-cancellable operating leases which expire as set out below:

	Land and buildings		Other items	
	2008 £	2007 £	2008 £	2007 £
Leases which expire:				
Within one year	-	-	46,174	282,077
Between two and five years	50,500	465,000	155,757	61,903
After more than five years	1,133,000	819,030	-	-
	1,183,500	1,284,030	201,931	343,980

21. CONTINGENT LIABILITIES

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.

The Music Sales group of companies have collectively provided a group-wide cross guarantee to Barclays Bank and each group member guarantees to the Bank on a joint and several basis, all present and future group indebtedness in respect to the group overdraft facility.

MUSIC SALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

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:

	2008 £	2007 £
Goods sold by Music Sales Limited to:		
Music Sales Corporation	211,444	431,776
Music Sales (Pty) Limited	301,676	659,156
Goods purchased by Music Sales Limited from:		
Music Sales Corporation	693,619	1,189,914
Music Sales (Pty) Limited	3,064	32,844

During the year the company recharged expenses and charged management fees to the Novello group of companies totalling £145,000 (2007 - £239,008). The Novello group is related to the company by virtue of common management.

The company rents an apartment in New York from M B Wise at an annual rent of \$52,000 (2007 - \$52,000).

At 30 June 2008, loan advances amounting to £1,630,194 (2007 - £1,535,023) were receivable from companies related to Music Sales Limited by virtue of common management. An amount of £95,171 (2007 - £129,522) was receivable as interest and guarantee fees during the year.

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.