

Startling Music Limited

Report and Financial Statements

31 January 2008

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COMPANIES HOUSE

Startling Music Limited

Registered No 935434

Directors

H L Gerrard
B V Grakal

Secretary

J G Hemingway

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

NatWest
Piccadilly
London W1A 2AG

Registered Office

90 Jermyn Street
(1st Floor)
London SW1Y 6JD

Directors' report

The directors present their report and financial statements for the year ended 31 January 2008

Results and dividends

The profit for the year, after taxation, amounted to £448,626 (2007 profit – £431,648) The directors do not recommend the payment of any dividends (2007 – £nil)

Principal activity

The principal activities of the company during the year were those of music publishing, the provision of promotional services, the exploitation of musical copyrights and other rights and the undertaking of associated activities in the music field

Directors

The directors who served the company during the year were as listed on page 1

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

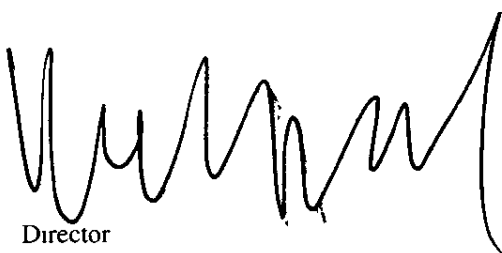
Small company provisions

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities

Reappointment of auditors

In accordance with section 386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually was passed during 1993 Accordingly, Ernst & Young LLP shall be deemed to be reappointed as auditors

On behalf of the Board



Director

23 OCT 2008

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, 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 that 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.

Independent auditor's report**to the members of Startling Music Limited**

We have audited the company's financial statements for the year ended 31 January 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities.

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 Annual Report and the financial statements in accordance with applicable United Kingdom law and 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

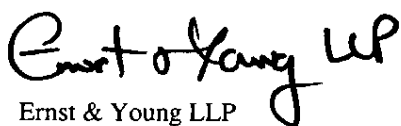
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

Independent auditor's report**to the members of Startling Music Limited (continued)****Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 January 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985,
- the information given in the Directors' Report is consistent with the financial statements



Ernst & Young LLP
Registered Auditor
London

27 OCT 2008

Profit and loss account

for the year ended 31 January 2008

	Notes	2008 £	2007 £
Turnover	2	1,024,555	1,232,634
Administrative expenses		(241,598)	(231,656)
Other operating income		24,000	24,000
Operating profit	3	806,957	1,024,978
Interest receivable	5	58,289	16,421
Profit on ordinary activities before taxation		865,246	1,041,399
Tax on profit on ordinary activities	6	(416,620)	(609,751)
Retained profit for the financial year	13	448,626	431,648

Balance sheet

at 31 January 2008

	Notes	2008 £	2007 £
Fixed assets			
Intangible assets	7	–	–
Tangible assets	8	3,660	4,434
		<u>3,660</u>	<u>4,434</u>
Current assets			
Debtors	10	549,011	1,171,487
Cash at bank and in hand		1,456,715	415,771
		<u>2,005,726</u>	<u>1,587,258</u>
Creditors , amounts falling due within one year	11	(183,014)	(213,946)
		<u>1,822,712</u>	<u>1,373,312</u>
Net current assets			
		<u>1,826,372</u>	<u>1,377,746</u>
Total assets less current liabilities			
		<u>1,826,372</u>	<u>1,377,746</u>
Capital and reserves			
Called up share capital	12	2	2
Profit and loss account	13	1,826,370	1,377,744
		<u>1,826,372</u>	<u>1,377,746</u>
Equity shareholders' funds			
		<u>1,826,372</u>	<u>1,377,746</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities



Director

23 OCT 2008

Notes to the financial statements

at 31 January 2008

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention

Fixed assets

All fixed assets are initially recorded at cost

Intangible fixed assets

Intangible assets, which consist of musical copyrights and other rights, are stated in the balance sheet at cost less amounts charged to the profit and loss account equal to the related net income received or notified during the year

The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows

Fixtures and fittings	–	15% per annum
Computer equipment	–	25% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Investments

Investments are stated at cost less provision for any impairment in value

The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements

at 31 January 2008

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and includes royalty income received or receivable for the year from continuing activities

An analysis of turnover by geographical market is given below

	2008 £	2007 £
Promotional fees and other income – United Kingdom	856,725	1,058,201
Royalties – United Kingdom and rest of the world	167,830	174,433
	<u>1,024,555</u>	<u>1,232,634</u>

3. Operating profit

This is stated after charging

	2008 £	2007 £
Auditors' remuneration – audit services	8,000	8,000
Depreciation of owned fixed assets	<u>842</u>	<u>1,033</u>

4. Directors' emoluments

There are no directors' emoluments paid during the year (2007 – £nil)

5. Interest receivable

	2008 £	2007 £
Bank interest	<u>58,289</u>	<u>16,421</u>

Notes to the financial statements

at 31 January 2008

6. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2008	2007
	£	£
<i>Current tax</i>		
UK corporation tax on profits of the period	94,197	201,005
Group relief payment	165,402	111,417
Group relief – adjustment in respect of prior years	157,021	297,329
Total current tax (note 6(b))	<u>416,620</u>	<u>609,751</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2007 – 30%) The differences are reconciled below

	2008	2007
	£	£
Profit on ordinary activities before taxation	865,246	1,041,399
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007 – 30%)	<u>259,574</u>	<u>312,420</u>
Depreciation in advance of capital allowances	(14)	(46)
Group relief - adjustment in respect of prior years	157,021	297,329
Disallowable expenses	39	48
Total current tax (note 6(a))	<u>416,620</u>	<u>609,751</u>

(c) Factors that may affect future tax charges

The company has a deferred tax liability of £277 (2007 – £262) in respect of accelerated capital allowances, which has not been recognised in the financial statements on the grounds that it is not material

Notes to the financial statements

at 31 January 2008

7. Intangible fixed assets

	<i>Musical copyrights and other rights</i>
	£
Cost	
At 31 January 2007 and 31 January 2008	3,534,000
Amortisation	
At 31 January 2007 and 31 January 2008	3,534,000
Net book value	
At 31 January 2007 and 31 January 2008	–

8. Tangible fixed assets

	<i>Fixtures and fittings</i>
	£
Cost	
At 31 January 2007	16,800
Additions	68
At 31 January 2008	16,868
Depreciation	
At 31 January 2007	12,366
Provided during the year	842
At 31 January 2008	13,208
Net book value	
At 31 January 2008	3,660
At 31 January 2007	4,434

Notes to the financial statements

at 31 January 2008

9. Investments

	<i>Investments</i>
	<i>£</i>
Cost	
At 31 January 2007 and 31 January 2008	10,000
Amounts provided	
At 31 January 2007 and 31 January 2008	10,000
Net book value	
At 31 January 2007 and 31 January 2008	—

The company holds 15% of the issued share capital of Cherokee Automated Research Inc, a company incorporated in the United States of America

10. Debtors

	2008	2007
	<i>£</i>	<i>£</i>
Group relief recoverable	121,820	—
Amounts owed by group undertakings	43,079	25,000
Prepayments and accrued income	384,112	1,146,487
	<u>549,011</u>	<u>1,171,487</u>

11. Creditors: amounts falling due within one year

	2008	2007
	<i>£</i>	<i>£</i>
Corporation tax	44,197	109,159
Group relief payable	—	72,388
Other taxation and social security	4,608	4,599
Other creditors	90,423	16,258
Accruals and deferred income	43,786	11,542
	<u>183,014</u>	<u>213,946</u>

Notes to the financial statements

at 31 January 2008

12. Authorised and issued share capital

<i>Authorised</i>		2008 £	2007 £
Ordinary shares of £1 each		100	100
<i>Allotted, called up and fully paid</i>	<i>No</i>	2008 £	2007 £
Ordinary shares of £1 each	2	2	2

13. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £</i>	<i>Profit and loss account £</i>	<i>Total share- holders' funds £</i>
At 31 January 2006	2	946,096	946,098
Profit for the year	–	431,648	431,648
At 31 January 2007	2	1,377,744	1,377,746
Profit for the year	–	448,626	448,626
At 31 January 2008	2	1,826,370	1,826,372

14. Related party transactions

- (a) The company recharges certain administrative costs to other group undertakings. At 31 January 2008, balances outstanding with group undertakings and the amounts recharged for the period were as follows

	<i>Amounts recharged</i>		<i>Amounts owed to Startling Music Limited</i>	
	2008 £	2007 £	2008 £	2007 £
Widgeon Investments Limited	7,000	7,000	37,547	25,000
Cornwall	4,000	4,000	5,532	–
Belfry Investments Limited	3,000	3,000	–	–

- (b) Cornwall, Belfry Investments Limited and Widgeon Investments Limited, all intermediate parent undertakings, surrendered tax losses to the company during the year for which a group relief payment of £165,402 (2007 – £111,417) has been provided in the financial statements
- (c) Legal and professional fees totalling £22,500 (2007 – £20,000) for the year have been rendered by a firm in which Mr J G Hemingway, the company secretary, has a material interest

The company has accounted for promotional fees of £741,100 (2007 – £1,055,113) due from Apple Corps Limited, a company in which the immediate parent, Widgeon Investments Limited, has a 25% holding. At the balance sheet date £278,600 (2007 – £1,055,113) was outstanding and included within prepayments and accrued income.

Notes to the financial statements

at 31 January 2008

15. Ultimate parent undertaking and controlling party

The ultimate parent undertaking at 31 January 2008 was Devon Holdings Limited, a company incorporated in the Bahamas

The company's immediate parent undertaking is Widgeon Investments Limited. Copies of its financial statements can be obtained from the Registrar of Companies in Cardiff