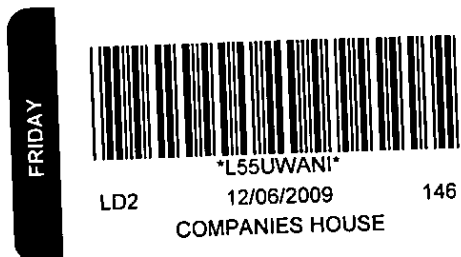


Stage Three Music (Catalogues) Limited

REPORT AND FINANCIAL STATEMENTS

for the year ended
31 December 2008



Company Registration No. 4738931

Stage Three Music (Catalogues) Limited

DIRECTORS AND OFFICERS

DIRECTORS

SG Lewis
RJ Ewbank

SECRETARY

RJ Ewbank

COMPANY NUMBER

4738931 (England and Wales)

REGISTERED OFFICE

13A Hillgate Street
London W8 7SP

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

BANKERS

HSBC Private Bank (UK) Limited
78 St James Street
London SW1A 1JB

Bank of Ireland
Eastcheap Court
11 Philpot Lane
London
EC3M 8BA

Stage Three Music (Catalogues) Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Stage Three Music (Catalogues) Limited for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of music publishing.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The directors' are pleased with the progress the company made during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Current economic climate creates risks and uncertainties with regards to the opportunities to earn revenue from licensing music for advertising.

DIRECTORS

The following directors have held office since 1 January 2008:

SG Lewis
RJ Ewbank

DIRECTORS & OFFICERS INSURANCE

The company maintains liability insurance for directors and officers of the company.

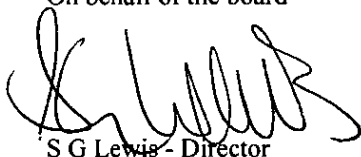
STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

A resolution to re-appoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor will be put to members at the Annual General Meeting. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the board



S G Lewis - Director

Stage Three Music (Catalogues) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 requirements of 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 STAGE THREE MUSIC (CATALOGUES) LIMITED

We have audited the financial statements on pages 5 to 12.

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 auditor's 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 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 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.

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 at 31 December 2008 and of its loss for the year then ended and 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.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

2 Bloomsbury Street

London WC1B 3ST

28/5/09

Stage Three Music (Catalogues) Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2008

	Notes	Year ended 31 December 2008 £	Year ended 31 December 2007 £
TURNOVER	1	5,753,080	4,460,103
Cost of sales		(3,324,190)	(2,364,120)
Gross profit		<u>2,428,890</u>	<u>2,095,983</u>
Other operating expenses	2	(6,616,557)	(1,455,547)
OPERATING (LOSS)/PROFIT		<u>(4,187,667)</u>	<u>640,436</u>
Interest payable and similar charges	3	(2,109,638)	(2,398,805)
Interest receivable	4	12,619	13,704
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(6,284,686)</u>	<u>(1,744,665)</u>
Taxation	7	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	13	<u><u>(6,284,686)</u></u>	<u><u>(1,744,665)</u></u>

Turnover and operating loss for the year arise from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

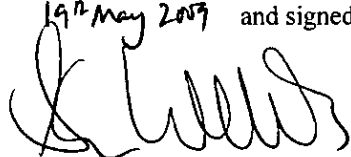
Stage Three Music (Catalogues) Limited

BALANCE SHEET

As at 31 December 2008

	Notes	2008 £	2007 £
FIXED ASSETS			
Intangible assets	8	28,719,936	30,086,557
CURRENT ASSETS			
Debtors	9	260,371	218,406
Cash at bank and in hand		302,577	303,692
		<u>562,948</u>	<u>522,098</u>
CREDITORS: Amounts falling due within one year	10	(4,215,736)	(2,830,262)
NET CURRENT LIABILITIES		<u>(3,652,788)</u>	<u>(2,308,164)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		25,067,148	27,778,393
CREDITORS: Amounts falling due in more than one year	11	(33,050,795)	(29,477,354)
NET LIABILITIES		<u>(7,983,647)</u>	<u>(1,698,961)</u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Profit and loss account	13	(7,983,649)	(1,698,963)
EQUITY SHAREHOLDERS' DEFICIT	14	<u>(7,983,647)</u>	<u>(1,698,961)</u>

The financial statements on pages 5 to 12 were approved by the board of directors and authorised for issue on 19th May 2009 and signed on its behalf by:



SG Lewis

Director

Stage Three Music (Catalogues) Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

GOING CONCERN

The financial accounts have been prepared on the going concern as the company's parent undertaking has confirmed that it will provide any support that is required to allow the company to pay its debts as they fall due.

CASH FLOW STATEMENT

The company is exempt from the requirement of Financial Reporting Standard 1(revised 1996) to produce a cash flow statement on the grounds that its immediate parent undertaking, Stage Three Music Ltd, has included the cash flows of the company in its own consolidated cash flow statement.

INTANGIBLE FIXED ASSETS

Catalogues acquired are carried in the balance sheet as an intangible asset and amortised on a straight line basis over their estimated useful lives of 20 years.

ADVANCES

Advances received from sub-publishers are carried forward until the earlier of recoupment, agreement expiry date or recognition that recoupment is unlikely to take place. Advances that are both non-recoupable and non-refundable are taken to the profit and loss account when received.

Advances made to writers in respect of future royalties are treated as current assets. Provision is made against any advance where it is considered that recoupment is unlikely to take place.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

FOREIGN CURRENCY

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange recorded at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. All differences are taken to the profit and loss account.

TURNOVER

Royalties receivable are recognised (net of value added tax) on notification to the company by collection societies and sub-publishers, in respect of all royalty accounting periods ending within the financial year.

Stage Three Music (Catalogues) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and (loss)/profit before taxation were all derived from its principal activity. Sales were made in the following geographical markets:

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
United Kingdom	814,462	629,263
United States of America	4,938,618	3,830,840
	<u>5,753,080</u>	<u>4,460,103</u>

2 OTHER OPERATING EXPENSES

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Administration expenses	6,616,557	1,455,547

Exchange loss for the year was £4,851,383 compared to £214,352 exchange gain in 2007.

3 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Bank interest	756,730	871,044
Group interest	1,352,908	1,527,761
	<u>2,109,638</u>	<u>2,398,805</u>

4 INTEREST RECEIVABLE

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Bank interest receivable	12,619	13,704

5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Loss on ordinary activities before taxation is stated after charging:		
Amortisation of intangible assets	1,750,265	1,735,493

The audit fee for the year is borne by another group company.

Stage Three Music (Catalogues) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

6 EMPLOYEES

The average monthly number of persons (including directors) employed by the company during the year was:

	Year ended 31 December 2008 No	Year ended 31 December 2007 No
Management	2	2

DIRECTORS' REMUNERATION

No directors have received any remuneration in the year.

7 TAXATION

	Year ended 31 December 2008 £	Year ended 31 December 2007 £
Current taxation:		
UK corporation tax	-	-
Foreign tax	-	-
Tax on (loss)/profit on ordinary activities	-	-
	Year ended 31 December 2008 £	Year ended 31 December 2007 £

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

(Loss)/profit on ordinary activities before tax	(6,284,686)	(1,744,665)
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 28.5% (2007 - 30%)	(1,791,135)	(523,400)
Effects of:		
Amortisation in excess of capital allowances	38,802	12,649
Tax losses not utilised/(utilised)	1,721,553	510,751
Other timing differences	30,780	-
Current tax charge for the year	-	-

A deferred tax asset of £3,409,604 (2007: 1,714,330) has not been recognised in these financial statements due to the uncertainty regarding future profits. Total losses available to carry forward at 31 December 2008 are £12,069,157 (2007: £6,122,606).

Stage Three Music (Catalogues) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

8	INTANGIBLE FIXED ASSETS		Catalogues £
	Cost		
	1 January 2008		34,717,610
	Additions		383,644
	31 December 2008		<u>35,101,254</u>
	Amortisation		
	1 January 2008		4,631,053
	Charged in the year		1,750,265
	31 December 2008		<u>6,381,318</u>
	Net book value		
	31 December 2008		<u>28,719,936</u>
	31 December 2007		<u>30,086,557</u>
9	DEBTORS	2008 £	2007 £
	Due within one year:		
	Amounts due from group undertakings	67,810	45,359
	Other debtors	2	2
	Advances to writers	192,559	173,045
		<u>260,371</u>	<u>218,406</u>
10	CREDITORS: Amounts falling due within one year	2008 £	2007 £
	Bank loan	722,918	397,739
	Amounts owed to group undertakings	1,523,816	1,280,202
	Other creditors	-	33,022
	Royalties payable	1,826,685	886,236
	Accruals and deferred income	142,317	233,063
		<u>4,215,736</u>	<u>2,830,262</u>

The bank loan is secured by a fixed and floating charge over the assets of the company.

Stage Three Music (Catalogues) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

11	CREDITORS: Amounts falling due in more than one year	2008 £	2007 £
	Bank loan	17,350,038	12,860,246
	Amounts owed to group undertakings	15,700,757	16,617,108
		<u>33,050,795</u>	<u>29,477,354</u>

The bank loan is secured by a fixed and floating charge over the assets of the company. Interest is charged on the bank loan at 1.6% above the LIBOR rate.

	The bank loan is repayable as follows:	2008 £	2007 £
	Due within one year	722,918	397,739
	Due between one and two years	903,648	397,739
	Due between two to five years	16,446,390	12,462,507
		<u>18,072,957</u>	<u>13,257,985</u>

12	SHARE CAPITAL	2008 £	2007 £
	Authorised:		
	1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
		<u> </u>	<u> </u>
	Allotted, issued and fully paid:		
	2 ordinary shares of £1 each	2	2
		<u> </u>	<u> </u>
13	PROFIT AND LOSS ACCOUNT	2008 £	2007 £
	1 January 2008	(1,698,963)	45,702
	Loss for the financial year	(6,284,686)	(1,744,665)
		<u>(7,983,649)</u>	<u>(1,698,963)</u>
	31 December 2008		
14	RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' DEFICIT	2008 £	2007 £
	Loss for the financial year	(6,284,686)	(1,744,665)
	Opening shareholders' (deficit)/funds	(1,698,961)	45,704
		<u>(7,983,647)</u>	<u>(1,698,961)</u>
15	RELATED PARTY TRANSACTIONS		

As permitted by FRS8 "Related Party Disclosures", the financial statements do not disclose transactions with fellow group companies where 90% of the voting rights are controlled by the group.

Stage Three Music (Catalogues) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

16	CAPITAL COMMITMENTS	2008 £	2007 £
	Capital expenditure contracted for but not provided in the financial statements	-	379,000

17 ULTIMATE CONTROLLING PARTY

The immediate parent company is Stage Three Music Limited, a company incorporated in the United Kingdom. The company is ultimately controlled by the nine partnerships that comprise the Apax Europe V Fund which are managed by Apax Europe Managers Limited and together have an aggregate interest of 100% of the ordinary 'C' shares of Stage Three Music Limited. Consolidated accounts have been prepared by Stage Three Music Limited and these are the only consolidated accounts available for the group. Copies of the Stage Three Music Limited accounts may be obtained from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ