

Stage Three Music (Catalogues) Limited

REPORT AND FINANCIAL STATEMENTS

for the year ended
31 December 2009

WEDNESDAY



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26/05/2010
COMPANIES HOUSE

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 2009

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

PRINCIPLE RISKS AND UNCERTAINTIES

The current economic climate creates risk 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 2009

SG Lewis
RJ Ewbank

DIRECTORS & OFFICERS INSURANCE

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

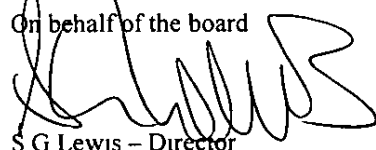
STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, 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

On behalf of the board



S G Lewis – Director

18th May 2010

Stage Three Music (Catalogues) Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom generally accepted accounting practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As more fully explained in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

DAVID BLACHER (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

21 MAY 2010

Stage Three Music (Catalogues) Limited
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2009

	Notes	Year ended 31 December 2009 £	Year ended 31 December 2008 £
TURNOVER	1	5,996,040	5,753,080
Cost of sales		(3,155,127)	(3,324,190)
Gross profit		<u>2,840,913</u>	<u>2,428,890</u>
Other operating expenses	2	(246,098)	(6,616,557)
OPERATING PROFIT/(LOSS)		<u>2,594,815</u>	<u>(4,187,667)</u>
Interest payable and similar charges	3	(1,002,811)	(2,109,638)
Interest receivable	4	966	12,619
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>1,592,970</u>	<u>(6,284,686)</u>
Taxation	7	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	13	<u><u>1,592,970</u></u>	<u><u>(6,284,686)</u></u>

Turnover and operating profit/(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

Company Registration No 4738931

As at 31 December 2009

	Notes	2009 £	2008 £
FIXED ASSETS			
Intangible assets	8	27,301,631	28,719,936
CURRENT ASSETS			
Debtors	9	441,799	260,371
Cash at bank and in hand		300,967	302,577
		<u>742,766</u>	<u>562,948</u>
CREDITORS Amounts falling due within one year	10	(4,712,708)	(4,215,736)
NET CURRENT LIABILITIES		<u>(3,969,942)</u>	<u>(3,652,788)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		23,331,689	25,067,148
CREDITORS Amounts falling due in more than one year	11	(29,722,366)	(33,050,795)
NET LIABILITIES		<u>(6,390,677)</u>	<u>(7,983,647)</u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Profit and loss account	13	(6,390,679)	(7,983,649)
EQUITY SHAREHOLDERS' DEFICIT	14	<u>(6,390,677)</u>	<u>(7,983,647)</u>

The financial statements on pages 5 to 12 were approved by the board of directors and authorised for issue on 18th May 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 basis 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

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

IMPAIRMENTS

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Impairment losses are recognised in the profit and loss account

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

LEASED ASSETS

All leases are 'operating leases' and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term

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 2009

1 TURNOVER AND PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
United Kingdom	887,508	814,462
United States of America	5,108,532	4,938,618
	<u>5,996,040</u>	<u>5,753,080</u>

2 OTHER OPERATING EXPENSES

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Administration expenses	246,098	6,616,557

Exchange gain for the year was £1,557,660 compared to an exchange loss of £4,851,383 in 2008

3 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Bank interest	449,046	756,730
Group interest	553,765	1,352,908
	<u>1,002,811</u>	<u>2,109,638</u>

4 INTEREST RECEIVABLE

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Bank interest receivable	966	12,619

5 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)		
Amortisation of intangible assets	1,766,675	1,750,267
Exchange (gain)/loss	<u>(1,557,660)</u>	<u>4,851,383</u>

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 2009

6 EMPLOYEES

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

	Year ended 31 December 2009 No	Year ended 31 December 2008 No
Management	2	2

DIRECTORS' REMUNERATION

No directors have received any remuneration in the year

7 TAXATION

	Year ended 31 December 2009 £	Year ended 31 December 2008 £
Current taxation		
UK corporation tax	-	-
Foreign tax	-	-
Tax on profit/(loss) on ordinary activities	-	-
	Year ended 31 December 2009 £	Year ended 31 December 2008 £
The tax assessed for the year is higher than the standard rate of corporation tax in the UK (28%) The differences are explained below		
Profit/(loss) on ordinary activities before tax	1,592,970	(6,284,686)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK at 28% (2008 28.5%)	446,032	(1,791,135)
Effects of		
Amortisation in excess of capital allowances	38,122	38,802
Tax losses (utilised)/not utilised	(483,883)	1,721,553
Group relief claim	(271)	30,780
Current tax charge for the year	-	-

A deferred tax asset of £2,925,721 (2008 £3,409,604) has not been recognised in these financial statements due to the uncertainty regarding future profits. Total losses available to carry forward at 31 December 2009 are £10,449,004 (2008 £12,069,157).

Stage Three Music (Catalogues) Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

8	INTANGIBLE FIXED ASSETS		Catalogues £
	Cost		
	1 January 2009		35,101,254
	Additions		348,370
	31 December 2009		<u>35,449,624</u>
	Amortisation		
	1 January 2009		6,381,318
	Charged in the year		1,766,675
	31 December 2009		<u>8,147,993</u>
	Net book value		
	31 December 2009		<u>27,301,631</u>
	31 December 2008		<u>28,719,936</u>
9	DEBTORS	2009 £	2008 £
	Due within one year		
	Amounts due from group undertakings	195,525	67,810
	Other debtors	2	2
	Advances to writers	246,272	192,559
		<u>441,799</u>	<u>260,371</u>
10	CREDITORS Amounts falling due within one year	2009 £	2008 £
	Bank loan	1,088,752	722,918
	Amounts owed to group undertakings	2,056,000	1,523,816
	Royalties payable	1,443,496	1,826,685
	Accruals and deferred income	124,460	142,317
		<u>4,712,708</u>	<u>4,215,736</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 2009

11	CREDITORS Amounts falling due in more than one year	2009 £	2008 £
	Bank loan	18,018,794	17,350,038
	Amounts owed to group undertakings	11,703,572	15,700,757
		<u>29,722,366</u>	<u>33,050,795</u>

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

	2009 £	2008 £
The bank loan is repayable as follows		
Due within one year	1,088,752	722,918
Due between one and two years	18,018,794	903,648
Due between two to five years	-	16,446,390
	<u>19,107,546</u>	<u>18,072,956</u>

12	SHARE CAPITAL	2009 £	2008 £
	Authorised 1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	Allotted, issued and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

13	PROFIT AND LOSS ACCOUNT	2009 £	2008 £
	1 January	(7,983,649)	(1,698,963)
	Profit/(loss) for the financial year	1,592,970	(6,284,686)
	31 December	<u>(6,390,679)</u>	<u>(7,983,649)</u>

14	RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' DEFICIT	2009 £	2008 £
	Profit/(loss) for the financial year	1,592,970	(6,284,686)
	Opening shareholders' deficit	(7,983,647)	(1,698,961)
	Closing shareholders' deficit	<u>(6,390,677)</u>	<u>(7,983,647)</u>

15 RELATED PARTY TRANSACTIONS

As permitted by FRS8 "Related Party Disclosures", the financial statements do not disclose transactions with fellow group companies where 100% 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 2009

16	CAPITAL COMMITMENTS	2009 £	2008 £
	Capital expenditure contracted for but not provided in the financial statements	-	-

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, Mandy, Cardiff CF14 3UZ.