

**Crosstown Songs UK Limited**

**Report and Financial Statements**

**Period ended 31 May 2007**

WEDNESDAY



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**REPORT AND FINANCIAL STATEMENTS 2007**

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**REPORT AND FINANCIAL STATEMENTS 2007**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTOR**

Chris Gilbert

**SECRETARY**

Mike Miller

**REGISTERED OFFICE**

15 Kings Terrace  
Camden Town  
London  
NW1 0JP

**AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
London

**BANKERS**

Barclays Bank PLC  
1 Churchill Place  
London  
E14 5HP

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for period from incorporation on 29 June 2006 to 31 May 2007

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246 (4) (a) of the Companies Act 1985

## **PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS**

The company was incorporated on 29 June 2006. The accounts have been drawn up from the date of incorporation to 31 May 2007. The principal activity of the company is music publishing, in particular the management and exploitation of music copyrights that it has sourced for acquisition by its investing partner on a worldwide basis. Crosstown has offices in London, Los Angeles, Nashville and Stockholm.

Since its inception the Company has established itself as a leading independent music publisher through the sourcing and management of a substantial catalogue of songs. The Company has invested heavily in a worldwide creative team to promote these songs in all areas of media exploitation such as film, TV, commercials and product that links branding to music. The Company's policy of acquiring iconic pop songs is having positive benefits in these areas of exploitation.

The Company earns fees based on the income generated by the catalogue partner over time.

The cost base of the Company as budgeted for from inception is running at slightly under budget. Revenues have generally been less than those projected, however the latest quarter indicates that budgeted income targets have been met in that quarter.

## **SHARE CAPITAL**

During the period the authorised and issued share capital of ordinary shares of £1 each was 2. The beneficial ownership of the issued share capital was held by Crosstown Songs America LLC.

## **FINANCING**

The Company receives financing from its parent company Crosstown Songs America LLC, and in addition is deficit funded by its investing partners.

## **FUTURE DEVELOPMENTS**

The directors are of the opinion that the company will continue to trade for the foreseeable future. The directors continue to search for further music catalogues on behalf of its investor, which will in turn, be managed by the Company.

## **RESULTS AND DIVIDENDS**

The company made a loss after tax of £810,572. The directors do not recommend the payment of a dividend for the period under review.

**CROSSTOWN SONGS UK LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year are set out on page 1

The interest of C Gilbert is disclosed in the Partnership agreement that exists between the investing partner and Crosstown Songs (America) LLC (The holding company that owns 100% of Crosstown Songs UK Ltd )

**DISCLOSURE OF INFORMATION TO AUDITORS**

In the case of each of the persons who were directors of the company at the date when its report was approved

- | so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are not aware, and
- | each of the Directors has taken all steps that he ought to have taken as a Director in order to make himself 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 Section 234ZA of the Companies Act 1985

**AUDITORS**

The directors will place a resolution before the annual general meeting to re-appoint Deloitte & Touche LLP for the forthcoming year

Approved by the Board of Directors on ..... 18/3/08 .....  
and signed on behalf of the Board



Director

## **CROSSTOWN SONGS UK LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those 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, and
- prepare the financial statements on a 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. The directors are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## CROSSTOWN SONGS UK LIMITED

### INDEPENDENT AUDITORS' REPORT

#### TO THE MEMBERS OF CROSSTOWN SONGS UK LIMITED

We have audited the financial statements of Crosstown Songs UK Limited for the period ended 31 May 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 14. 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.

#### Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs from the period 29 June (date of incorporation) to 31 May 2007 and of its loss for the period 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.

#### Emphasis of matter – Going concern

Without qualifying our opinion, we draw attention to the disclosures made in note 1 of the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £810,572 during the year ended 31 May 2007 and, as of that date, the company's current liabilities exceeded its total assets by £810,570. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern as management believe that the going concern assumption continues to be appropriate.

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London  
{Date}

*Deloitte & Touche LLP*  
*18/3/08*

## CROSSTOWN SONGS UK LIMITED

### PROFIT AND LOSS ACCOUNT

Period ended 31 May 2007

	Notes	Period ended 31 May 2007 £
<b>TURNOVER</b>	1, 2	144,292
Gross Profit		<u>144,292</u>
Administrative expenses		<u>(950,279)</u>
<b>OPERATING LOSS</b>		(805,987)
Interest payable and similar charges	5	<u>(4,585)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6	(810,572)
Tax on loss on ordinary activities	7	<u>-</u>
<b>RETAINED LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES</b>	13	<u>(810,572)</u>

Movements in equity, shareholders' deficit and reserves are shown in notes 12 and 13

The company has no recognised gains or losses in either the current year or prior period other than those noted above and therefore no separate statement of total recognised gains and losses has been presented

The accompanying notes are an integral part of this profit and loss account

Turnover and operating profit are derived from continuing operations



# CROSSTOWN SONGS UK LIMITED

## BALANCE SHEET

As at 31 May 2007

	Note	31 May 2007 £
<b>FIXED ASSETS</b>		
Tangible assets	8	<u>29,187</u> <u>29,187</u>
<b>CURRENT ASSETS</b>		
Debtors & accrued income	9	273,512
Cash at bank and in hand		<u>986</u> <u>274,498</u>
<b>CREDITORS amounts falling due within one year</b>	10	(1,114,254)
<b>NET CURRENT LIABILITIES</b>		<u>(839,757)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(810,570)
<b>NET LIABILITIES</b>		<u>(810,570)</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	11	2
Profit and loss account	12	(810,572)
Equity shareholders' deficit	13	<u>(810,570)</u>

These financial statements were approved by the Board of Directors on .

18/3/08

Signed on behalf of the Board of Directors

Mike Miller  
Director

**NOTES TO THE ACCOUNTS**

**Period ended 31 May 2007**

**1. ACCOUNTING POLICIES**

The accounting policies adopted, which have been applied consistently throughout the year and the preceding period, are described below

**Basis of accounting**

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

The financial statements have been prepared by the Directors' on a Going Concern basis. The Directors note that the company has made a loss during the period, and has net liabilities, and is, therefore, reliant on continuing funding from its investors, which has not been guaranteed.

**Turnover**

Turnover is stated net of Value Added Tax and other sales-related tax. Turnover represents amounts chargeable to clients for the management of their music catalogues provided during the year.

**Taxation**

Current tax, including UK corporation tax and foreign 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 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.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as 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 a non-discounted basis.

**NOTES TO THE ACCOUNTS**

**Period ended 31 May 2007**

**1 ACCOUNTING POLICIES (continued)**

**Translation of foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rates ruling at that date, or where appropriate, at the rate of exchange in a related forward contract. Exchange gains and losses, arising on both settled and unsettled foreign currency transactions are included in the results on ordinary activities before taxation.

**Research and development costs**

Research and development costs are charged to the profit and loss account as incurred.

**Cash flow statement**

Since the company is a small company as defined in s247 of Companies Act 1985 it has taken advantage of exemptions granted by Financial Reporting Standard Number 1 (Revised) and has not prepared a cash flow statement.

**Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated using the straight-line method, by reference to the cost of the assets and their estimated useful lives. The rates of depreciation used fell within the following ranges:

Building equipment	5-10% per annum
Plant and machinery	10% per annum
Fixtures and fittings	10-33% per annum

Costs that are directly attributable to the creation of new assets that are not ready for use are capitalised and held as assets not yet commissioned. Depreciation of these assets will commence when they are ready for use.

**2 TURNOVER**

The company's turnover is derived solely from the management fee it obtains through its management of a number of music catalogues. All revenue is derived from clients based in the United States of America.

# CROSSTOWN SONGS UK LIMITED

## NOTES TO THE ACCOUNTS

Period ended 31 May 2007

### 3 EMPLOYEES

The average number of persons (including executive directors) employed by the company during the period was three

	Year ended 31 May 2007
Analysis by function	No
Administration	<u>3</u>
	<u>3</u>
Aggregate costs	£
Wages and salaries	62,887
Social security	<u>6,686</u>
	<u>69,573</u>

### 4 DIRECTORS' EMOLUMENTS

The total emoluments of directors were

	Year ended 31 May 2007
	£
Fees	<u>159,885</u>
	<u>159,885</u>

The emoluments of the highest paid director were £159,885

### 5 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 May 2007
	£
Bank charges	4,585
	<u>4,585</u>

# CROSSTOWN SONGS UK LIMITED

## NOTES TO THE ACCOUNTS

Period ended 31 May 2007

### 6 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 May 2007 £
Loss on ordinary activities is stated after charging	
Depreciation of tangible fixed assets	
Owned assets	9,055
Auditors' remuneration	
Fees payable to the company's auditors for the audit of the company's annual accounts	10,500
Foreign exchange loss	5,757
	<u>19,312</u>

### 7 TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 May 2007 £'000
United Kingdom Corporation Tax at 30% (2007 - 30%)	-
	<u>-</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK Corporation Tax to the profit before tax is as follows

	Year ended 31 May 2007 £
<b>Profit on ordinary activities before tax</b>	<u>(810,572)</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	(243,172)
Effects of	
Expenses not deductible for tax purposes	25,838
Depreciation in excess of capital allowances	2,261
Tax losses carried forward	215,072
<b>Current tax charge for year</b>	<u>0</u>

The company has a deferred tax asset of £217,333 which has not been recognised due to the uncertainty of timing of future profits

# CROSSTOWN SONGS UK LIMITED

## NOTES TO THE ACCOUNTS Period ended 31 May 2007

### 8 TANGIBLE FIXED ASSETS

	Land and Buildings £	Fixtures Fittings and office Equipment £	Total £
<b>Cost</b>			
At 1 June 2006	-	-	-
Additions	18,730	19,512	38,242
At 31 May 2007	18,730	19,512	38,242
<b>Accumulated depreciation</b>			
At 1 June 2006	-	-	-
Charge for the year	3,746	5,309	9,055
At 31 May 2007	3,746	5,309	9,055
<b>Net book value</b>			
At 31 May 2007	14,984	14,203	29,187
At 1 June 2006	-	-	-

# CROSSTOWN SONGS UK LIMITED

## NOTES TO THE ACCOUNTS

Period ended 31 May 2007

### 9. DEBTORS

31 May 2007

£

Trade debtors	-
Amounts owed by other group undertakings	153,609
Other debtors	44,781
Prepayments and accrued income	75,122
	<u>273,512</u>

### 10 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

31 May 2007

£

Trade creditors	(119,152)
Corporation tax payable	(4,717)
Amounts owed to group undertakings	
Parent company and fellow subsidiary undertakings	(974,885)
Other creditors and accruals	(15,500)
	<u>(1,114,254)</u>

### 11 CALLED UP SHARE CAPITAL

The authorised share capital of the company is 2 shares of a par value of £1 each, representing £2

Called up share capital is as follows

£

Ordinary shares called up, allotted and paid at 31 May 2007	<u>2</u>
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# CROSSTOWN SONGS UK LIMITED

## NOTES TO THE ACCOUNTS

Period ended 31 May 2007

### 12. STATEMENT OF MOVEMENT ON RESERVES

31 May 2007

£

#### Profit and Loss Account

At beginning of year

-

Retained loss for the year

(810,572)

At end of year

(810,572)

### 13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

31 May 2007

£

Opening Shareholders' funds

-

Loss for the year

(810,572)

Closing Shareholders' funds

(810,572)

### 14 ULTIMATE PARENT COMPANY

The intermediate and ultimate parent company and ultimate controlling party of Crosstown Songs UK Limited is Crosstown Songs America LLC, a company incorporated in the State of Delaware in the United States of America