

Company Registration No. 05862069

Crosstown Songs UK Limited

Report and Financial Statements

31 May 2008



Crosstown Songs UK Limited

Report and financial statements 2008

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Crosstown Songs UK Limited

Report and financial statements 2008

Officers and professional advisers

Director

Chris Gilbert

Secretary

Sarah Morgan

Registered Office

15 Kings Terrace
Camden Town
London
NW1 OJP

Bankers

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

Auditors

Deloitte LLP
Chartered Accountants
London

Crosstown Songs UK Limited

Director's report

The director presents his annual report and the audited financial statements for the year ended 31 May 2008.

The director's 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 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 products that link 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 year 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 it is debt funded by the investing partners in Crosstown Songs America LLC.

Future developments

The director is of the opinion that the Company will continue to trade for the foreseeable future, on the basis that the company will continue to be funded by its investors (although this has not been guaranteed). The director continues 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 £648,520. The director does not recommend the payment of a dividend for the year under review.

Crosstown Songs UK Limited

Director's report

Director and his interests

The director who served during the year is 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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are not aware; and
- the director 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 director will place a resolution before the annual general meeting to re-appoint Deloitte LLP for the forthcoming year.

Approved and signed by the Sole Director



Chris Gilbert
Director

10 February 2009

Crosstown Songs UK Limited

Statement of director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable him 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 auditors' report to the members of Crosstown Songs UK Limited

We have audited the financial statements of Crosstown Songs UK Limited for the year ended 31 May 2008 which comprise the profit and loss account, the balance sheet 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 director and auditors

The director 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 Director's 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 Director's 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 Director's 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 director 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 Crosstown Songs UK Limited (continued)

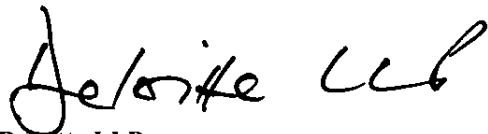
Opinion

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 31 May 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 Director's 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 £648,520 during the year ended 31 May 2008 and, as of that date, the Company's current liabilities exceeded its total assets by £1,459,090. 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.



Deloitte LLP
Chartered Accountants and Registered Auditors
London

24th February 2009
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Crosstown Songs UK Limited

Profit and loss account Year ended 31 May 2008

	Note	2008 £	2007 £
Turnover	1, 2	432,194	144,292
Gross profit		432,194	144,292
Administrative expenses		(1,076,543)	(950,279)
Operating loss		(644,349)	(805,987)
Interest payable and similar charges	5	(4,171)	(4,585)
Loss on ordinary activities before taxation	6	(648,520)	(810,572)
Tax on loss on ordinary activities	7	-	-
Retained loss on ordinary activities after taxation for the financial year transferred from reserves	13	(648,520)	(810,572)

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 year 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 31 May 2008

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	8	27,521	29,187
		<u>27,521</u>	<u>29,187</u>
Current assets			
Debtors	9	192,963	273,512
Cash at bank and in hand		162,526	986
		<u>355,489</u>	<u>274,498</u>
Creditors: amounts falling due within one year	10	(1,842,100)	(1,114,255)
Net current liabilities		<u>(1,486,611)</u>	<u>(839,757)</u>
Total assets less current liabilities		<u>(1,459,090)</u>	<u>(810,570)</u>
Net liabilities		<u>(1,459,090)</u>	<u>(810,570)</u>
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account	12	(1,459,092)	(810,572)
Equity shareholders' deficit	13	<u>(1,459,090)</u>	<u>(810,570)</u>

These financial statements were approved by Sole Director on 20 February 2009.

Signed by the Sole Director


Chris Gilbert

Director

Crosstown Songs UK Limited

Notes to the accounts Year ended 31 May 2008

1. Accounting policies

The accounting policies adopted, which have been applied consistently throughout the year and the preceding year, 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 director on a Going Concern basis. The director notes that the Company has made a loss during the year, and has net liabilities, and is, therefore, reliant on continuing funding from its ultimate parent company and its investors, which has not been guaranteed.

As highlighted above, there is a material uncertainty related to events or conditions which may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustment that might result from the outcome of this uncertainty. If these measures were to be inadequate to cover the Company's cash needs, the Company would likely become insolvent.

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.

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

Crosstown Songs UK Limited

Notes to the accounts

Year ended 31 May 2008

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.

Crosstown Songs UK Limited

Notes to the accounts Year ended 31 May 2008

1. Accounting policies (continued)

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:

Office Equipment	20% per annum
Leasehold Improvements	20% per annum
Fixtures and fittings	20% 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.

3. Employees

The average number of persons (including executive directors) employed by the Company during the year was five.

	2008 No.	2007 No.
Analysis by function		
Administration	5	5
Aggregate costs	£	£
Wages and salaries	150,988	62,887
Social security	16,042	6,686
	167,030	69,573

Crosstown Songs UK Limited

Notes to the accounts Year ended 31 May 2008

4. Director's emoluments

The total emoluments of the director were:

	2008 £	2007 £
Fees	174,420	159,885

5. Interest payable and similar charges

	2008 £	2007 £
Bank interest	1	-
Bank charges	4,170	4,585
	4,171	4,585

6. Loss on ordinary activities before taxation

Loss on ordinary activities is stated after charging:

	2008 £	2007 £
Depreciation of tangible fixed assets:		
Owned assets	8,229	9,055
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	10,750	10,500
Foreign exchange loss	24,094	5,757

Crosstown Songs UK Limited

Notes to the accounts Year ended 31 May 2008

7. Tax on loss on ordinary activities

	2008 £	2007 £
United Kingdom Corporation Tax at 29.66% (2007 - 30%)	-	-
The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK Corporation Tax to the loss before tax is as follows:		
	2008 £	2007 £
Loss on ordinary activities before tax	(648,520)	(810,572)
Tax on profit on ordinary activities at combined UK corporation tax rate of 29.66% (2007 - 30%)	(192,351)	(243,171)
Effects of:		
Expenses not deductible for tax purposes	1,585	25,838
Depreciation in excess of capital allowances	2,928	2,261
Tax losses carried forward	187,838	215,072
Current tax charge for year	-	-

The Company has a deferred tax asset of £405,838 (2007 - £217,333) arising in respect of tax losses and accelerated capital allowances which has not been recognised due to the uncertainty of timing of future profits.

Crosstown Songs UK Limited

Notes to the accounts Year ended 31 May 2008

8. Tangible fixed assets

	Leasehold Improvements £	Fixtures Fittings and Office Equipment £	Total £
Cost			
At 1 June 2007	18,730	19,512	38,242
Additions	-	6,563	6,563
At 31 May 2008	18,730	26,075	44,805
Accumulated depreciation			
At 1 June 2007	3,746	5,309	9,055
Charge for the year	3,746	4,483	8,229
At 31 May 2008	7,492	9,792	17,284
Net book value			
At 31 May 2008	11,238	16,283	27,521
At 31 May 2008	14,984	14,203	29,187

9. Debtors

	2008 £	2007 £
Trade debtors	24,375	-
Amounts owed by other group undertakings	43,916	153,609
Other debtors	16,378	44,781
Prepayments and accrued income	108,294	75,122
	<u>192,963</u>	<u>273,512</u>

10. Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	(62,713)	(119,153)
Tax payable	(20,971)	(4,717)
Amounts owed to group undertakings:		
Parent company and fellow subsidiary undertakings	(1,735,516)	(974,885)
Accruals	(22,900)	(15,500)
	<u>(1,842,100)</u>	<u>(1,114,255)</u>

Crosstown Songs UK Limited

Notes to the accounts Year ended 31 May 2008

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:

	2008 £	2007 £
Ordinary shares called up, allotted and paid at 31 May 2008	<u>2</u>	<u>2</u>

12. Statement of movement on reserves

	2008 £	2007 £
Profit and loss account		
At beginning of year	(810,572)	-
Retained loss for the year	<u>(648,520)</u>	<u>(810,572)</u>
At end of year	<u>(1,459,092)</u>	<u>(810,572)</u>

13. Reconciliation of movement in shareholders' deficit

	2008 £	2007 £
Opening shareholders' deficit	(810,570)	-
Loss for the year	<u>(648,520)</u>	<u>(810,570)</u>
Closing shareholders' deficit	<u>(1,459,090)</u>	<u>(810,570)</u>

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.