Fender Musical Instruments Europe Limited

Directors' report and financial statements

Registered number 3127180

31 December 2008

Contents

Directors' report

The Directors present their annual report and audited financial statements for the year ended 31 December 2008.

Principal activities

The principal activity of the Company throughout the year was the provision of sales and marketing support services to Fender International Corporation in the sale of musical instruments.

Business review

In 2008 the Company classified the amounts it received for services it performed for related parties as income rather than as a reduction of cost of sales. The Directors believe that this is a more appropriate method of accounting for the services provided. For comparative purposes, if these transactions were to be presented in the same way for 2007, Turnover would have been £20,124,689 and Cost of Sales would have been £14,391,816. The overall gross profit figure however would have remained unchanged.

The Company's sales performance for 2008 improved due to the addition of brands to its' portfolio as a result of the acquisition of Kaman Corporation and an agreement to distribute Taylor guitars; both of which were added at the end of 2007. These additional brands were incorporated into the Company at different times during 2008 and contributed £1,824,000 to net sales within the year. The Directors believe the full year effect of the new brands will increase revenue and profit in the future.

The brands that existed at the beginning of 2008 performed well against the previous year. The Company benefited from the launch of a new model US made "American Standard" guitar, increased popularity of the Mexican made "Baja Telecaster" guitar and increased availability of "Gretsch" guitars. Likewise, amplifiers benefited from higher sales within the "Hot Rod Deluxe", "Princeton" and "Super Champ" ranges. The result was an overall increase in sales of 4% on the previous year.

The Company had to offer more competitive terms which had a detrimental effect on the gross margin percentages. The Directors believe that this pressure will continue to persist in 2009.

The costs for the established operation remained consistent with the previous years and generally increased in line with inflation.

The Company will be entering a tough climate in 2009 and there will be pressure on the performance of the Company due to the nature of the products that it sells. The Directors are cautiously optimistic about the performance of the Company in 2009 especially with the additional product ranges that were added to its' portfolio.

Results and dividends

The trading profit for the year, after taxation, amounted to £245,111 (2007: £489,985). The Directors have not recommended a dividend for the year (2007: £nil).

Directors and directors' interests

The Directors who held office during the year were as follows:

William Louis Mendello
Jonathan Gold
Gerard Anthony McAuley
Gordon Leonard Thomas Raison

The Company is a wholly owned subsidiary of Fender International Corporation.

At 31 December 2008, William Louis Mendello was a director of Fender International Corporation.

Gordon Raison has an option to purchase 550 shares and Gerard McAuley has an option to purchase 283 shares in the ultimate parent Company under their share option scheme.

Directors' report *(continued)*

Employees

The Company recognises its unique position of employing staff who have a high level of loyalty and affiliation to Fender and its related brands and therefore ultimately to the Company. The Company has personnel policies and programs to appraise, train and promote employees on the basis of their ability, skill and aptitude and on the requirements of their job.

Environmental factors

The Company takes its responsibility towards the environment seriously. The Company recycles damaged products in an environmentally efficient manner as well as ensuring the office waste is recycled as much as possible. The Company has complied with the existing legislation including WEEE legislation (Waste Electrical and Electronic Equipment Directive) and also Producer Responsibilty Obligations (Packaging Waste) to ensure that all products are compliant with the relevant regulations.

Risks and uncertainties

The Company is exposed to trading risk in the highly competitive retail sector. The Company is susceptible to possible downturn in consumer spending, influenced by factors such as a reduction in disposable income, increases in interest rates and reduced popularity in the brands. The Company feels that the strength of the brand will remain strong during periods of downturn and will protect the financial performance from wild fluctuations.

The Company is also exposed to operational risks. These are inherent in all businesses and result mainly from a potential breakdown in the Company's control of its human, physical and operating resources. The potential effect on the financial performance and reputation arising from failures in internal controls, flaws or malfunctions in computer systems, poor product design and delivery could have a significant adverse effect on the Company performance. The Company has attempted to reduce the risk by putting in resources, procedures and internal controls as follows:

Quality inspection processes and regular checks for products that are to be delivered to customers.

Experienced staff employed to repair damaged and defective products

Segregation of duties between the order entry, logistics function, finance function and IT function. Furthermore, the logistics function is totally outsourced to a third party logistics provider complete with it's own bonded warehouse, therefore offering increased segregation of duties.

Production and review of daily, monthly and annual information on the performance against budgets and forecasts.

An annual budgeting process with regular reforecasts of results.

Regular reporting to the board on matters of safety, insurance and treasury management.

The Directors are responsible for establishing and maintaining the Company's system of internal controls and for reviewing its effectiveness. Internal controls are designed to manage rather than eliminate the risk of misstatement or material loss and can only provide reasonable rather than absolute assurance that this happens.

Directors' report *(continued)*

Political and Charitable Contributions

The Company made no political contributions during the period (2007: £ nil). Charitable donations for the year amounted to £4,876 (2007: £nil).

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

G McAuley

G A McAuley
Company Secretary

Unit 5
The Felbridge Centre
Willard Way
East Grinstead
West Sussex
RH19 1XP

Registered number 3127180

20 November 2009

Statement of Directors' responsibilities in respect of the Directors' Report and the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP
1 Forest Gate
Brighton Road
Crawley
RH11 9PT
United Kingdom

Independent auditors' report to the members of Fender Musical Instruments Europe Limited

We have audited the financial statements of Fender Musical Instruments Europe Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. 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 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 financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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.

Independent auditors' report to the members of Fender Musical Instruments Europe Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit 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 Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

25th November 2009

Profit and loss account
for the year ended 31 December 2008

	Note	2008 £	2007 £
Turnover	2	**23,431,322**	17,309,609
Cost of sales		**(16,699,947)**	(11,576,736)
Gross profit		**6,731,375**	5,732,873
Administrative expenses		**(6,372,820)**	(5,074,295)
Operating profit	3	**358,555**	658,578
Interest receivable and similar income	4	**10,428**	73,183
Interest payable and similar charges	5	**(10)**	(440)
Profit on ordinary activities before taxation		**368,973**	731,321
Tax on profit on ordinary activities	8	**(123,862)**	(241,336)
Profit for the financial year		**245,111**	489,985

All activities relate to continuing operations.

There are no recognised gains or losses in the year other than the profit for the year.

The notes on pages 10 to 19 form part of these financial statements.

Balance sheet
at 31 December 2008

	Note	2008		2007	
		£	£	£	£
Fixed assets					
Tangible assets	9		141,318		131,705
Current assets					
Stocks	10	941,781		795,709	
Debtors	11	3,393,054		3,954,929	
Cash at bank		2,562,880		518,601	
		6,897,715		5,269,239	
Creditors: amounts falling due within one year	12	(3,651,712)		(2,258,734)	
Net current assets			3,246,003		3,010,505
Net assets			3,387,321		3,142,210
Capital and reserves					
Called up share capital	14		60,000		60,000
Profit and loss account	13		3,327,321		3,082,210
Total equity shareholders' funds	13		3,387,321		3,142,210

The notes on pages 10 to 19 form part of these financial statements.

These financial statements were approved by the board of Directors on 20 November 2009 and were signed on its behalf by:

GM^c Auley

G A McAuley
Director

Cash flow statement
for the year ended 31 December 2008

	Note	2008 £	2007 £
Net cash inflow/(outflow) from operating activities	*16*	**2,194,344**	(594,119)
Returns on investments and servicing of finance	*17*	**10,418**	11,420
Taxation		**(75,000)**	-
Capital Expenditure			
Payments to acquire tangible fixed assets		**(85,483)**	(56,232)
Increase/(decrease) in cash in the period		**2,044,279**	(638,931)

Reconciliation of net cash flow to movement in net funds

	Note	2008	2007
Increase/(decrease) in cash in the period	*18*	**2,044,279**	(638,931)
Net funds at beginning of the period		**518,601**	1,157,532
Net funds at the end of the period		**2,562,880**	518,601

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

As the Company is a wholly owned subsidiary of Fender International Corporation, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures, fittings, tools and equipment	-	between 3 and 5 years
Leasehold improvements	-	life of lease
Plant and machinery	-	5 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The Company participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension costs charged to the profit and loss account represents the contributions payable by the Company in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing each product to its present location and condition.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business. Sales are recognised when the risks and rewards of ownership transfer to the customer. This is deemed to occur on delivery.

In 2007, the Company received income of £2,815,080 from the parent Company for services provided and recorded this as a reduction to Cost of Sales. The Directors are of the opinion that this income should be reflected as Turnover to better represent the nature of the transaction and therefore have presented this income as Turnover in 2008. The 2007 figures have not been restated for this change, however if they had been Turnover and Cost of Sales would be £20,124,689 and £14,391,816 respectively.

Share based payments

The share option programme allows employees to acquire shares of the Company. The fair value of options granted after 7 November 2002 and those not yet vested as at 1 January 2006 is recognised as an employee expense with a corresponding charge from the ultimate parent Company. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to the exercise value of the option being lower than the value of the shares at the time of vesting.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2 Analysis of turnover

Turnover is attributable to the one principal activity of the Company and is attributable to the continuing operations of the Company.

All external turnover is attributable to markets within Great Britain and Ireland.

3 Operating profit

Operating profit is stated after charging/ (crediting):

	2008	2007
	£	£
Depreciation of owned tangible assets	**75,870**	55,311
Operating lease rentals:		
Plant and machinery	**72,477**	56,303
Motor vehicles	**97,905**	74,678
Land and buildings	**170,849**	109,633
Auditors remuneration for the audit of these financial statements	**35,900**	34,000
Foreign exchange differences	**(80,417)**	(9,349)

Notes *(continued)*

4 Interest receivable

	2008	2007
	£	£
Bank deposit interest	**10,428**	11,860
Other interest receivable	**-**	61,323
	10,428	73,183

5 Interest payable

	2008	2007
	£	£
Bank loans and overdrafts	**10**	440

6 Remuneration of directors

	2008	2007
	£	£
Directors emoluments	**293,766**	283,878
Pension costs	**7,108**	7,044
	300,874	290,922

	2008	2007
	£	£
The highest paid director received		
Salary and benefits	**196,536**	189,180
Pension costs	**4,800**	4,800
	201,336	193,980

There were 2 Directors accruing benefits under a money purchase pension scheme. The cost to the Company was £7,108 *(2007: £7,044).*

Notes *(continued)*

7 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2008	2007
Sales and marketing	**44**	40
Warehousing	**2**	2
Administration	**23**	13
	69	55

The aggregate payroll costs of these persons were as follows:

	2008	2007
	£	£
Wages and salaries	**2,936,045**	2,250,367
Social security costs	**320,295**	240,813
Other pension costs	**41,470**	37,720
	3,297,810	2,528,900

8 Taxation

Analysis of charge in period

	2008	2007
	£	£
UK corporation tax		
Current tax on income for the period	**171,410**	252,953
Deferred taxation credit (note 11)	**(47,548)**	(11,617)
	123,862	241,336

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2007: higher)* than the standard rate of corporation tax in the UK of 28% *(2007:30%)*. The differences are explained below:

	2008	2007
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**368,973**	731,321
Current tax at 28% *(2007:30%)*	**103,312**	219,396
Effects of:		
Expenses not deductible for tax purposes	**20,550**	21,940
Depreciation for period in excess of capital allowances	**47,548**	11,617
Total current tax charge (see above)	**171,410**	252,953

Notes *(continued)*

9 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At 1 January 2008	175,257	73,600	329,702	578,559
Additions	19,556	-	65,927	85,483
Disposals	-	(45,392)	-	(45,392)
At 31 December 2008	194,813	28,208	395,629	618,650
Depreciation				
At 1 January 2008	134,983	54,639	257,232	446,854
Charge for the year	24,052	4,551	47,267	75,870
Disposals	-	(45,392)	-	(45,392)
At 31 December 2008	159,035	13,798	304,499	477,332
Net book value				
At 31 December 2008	**35,778**	**14,410**	**91,130**	**141,318**
At 31 December 2007	40,274	18,961	72,470	131,705

The premises are held on a short lease.

10 Stocks

	2008 £	2007 £
Finished goods and goods for resale	**941,781**	795,709

11 Debtors

	2008 £	2007 £
Trade debtors	**3,039,673**	3,293,023
Amounts owed by group undertakings	-	158,439
Other debtors	**77,269**	76,041
Corporation tax recoverable	-	61,729
Deferred taxation	**82,407**	34,869
Prepayments and accrued income	**193,705**	330,828
	3,393,054	3,954,929

Debtors include other debtors of £76,220 *(2007: £72,420)* due after more than one year. Deferred tax asset relates solely to the difference between depreciation and capital allowances on certain fixed assets.

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	**185,309**	202,687
Amounts owed to group undertakings	**1,245,931**	-
Other taxation and social security	**923,046**	665,859
Corporation tax payable	**34,671**	-
Accruals and deferred income	**1,262,755**	1,390,188
	3,651,712	2,258,734

The Company has a bank overdraft facility secured by the guarantee of Fender Musical Instruments Corporation, the ultimate parent Company. At 31 December 2008 the outstanding overdraft was £nil (2007: £nil). Accruals and deferred income includes accrued contributions to the defined contribution pension scheme of £nil (2007: £nil).

13 Reconciliation of movements in Equity Shareholders' Funds

	Share Capital £	Profit and Loss Account £	Total Shareholders' Funds £
At 1 January 2008	60,000	3,082,210	3,142,210
Profit and loss account	-	245,111	245,111
At 31 December 2008	60,000	3,327,321	3,387,321

14 Share capital

The share capital comprises:

	2008 & 2007 £
Authorised:	
100,000 ordinary shares of £1 each	100,000
Allotted, called up and fully paid	
60,000 ordinary shares of £1 each	60,000

Notes *(continued)*

15 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2008 Land and buildings	**Other**	2007 Land and buildings	Other
	£	**£**	£	£
Operating leases which expire:				
Within one year	**-**	**32,925**	-	14,238
In the second to fifth years inclusive	**175,200**	**282,026**	175,200	167,926
	175,200	**314,951**	175,200	182,164

Of the £314,951 other commitments, £59,442 *(2007: £42,109)* will be recharged to other Companies in the group.

16 Reconciliation of operating profit to net cash inflow from operating activities

	2008	2007
	£	£
Operating profit	**358,555**	658,578
Depreciation charges	**75,870**	55,311
Increase in stocks	**(146,072)**	(91,593)
Decrease in debtors	**547,684**	751,862
Increase/(decrease) in creditors	**1,358,307**	(1,968,277)
Net cash inflow/(outflow) from operating activities	**2,194,344**	(594,119)

17 Analysis of cash flows

	2008	2007
	£	£
Returns on investment and servicing of finance		
Interest received	**10,428**	11,860
Interest paid	**(10)**	(440)
	10,418	11,420

18 Analysis of net funds

	At beginning of year	**Cash flow**	**At end of year**
	£	**£**	**£**
Cash at bank	518,601	2,044,279	**2,562,880**
Overdrafts	-	-	**-**
Net funds	518,601	2,044,279	**2,562,880**

Notes *(continued)*

19 Share based payments

The Board of Directors of Fender Musical Instruments Corporation, the ultimate parent Company operates an employee share scheme under which it makes equity-settled share based payments to certain employees. The exercise price is equal to or greater than the fair value of the shares at the date of the grant, as determined by the ultimate parent's Board of Directors.

The number and weighted average exercise prices of share options are as follows;

	2008 Weighted Average Exercise Price	2008 Number of Options	2007 Weighted Average Exercise Price	2007 Number of Options
Outstanding at the beginning of the period	US$ 1,160	1,083	US$ 846	250
Granted during the period	-	-	US$ 1,254	833
Outstanding at the end of the period	US$ 1,160	1,083	US$ 1,160	1,083
Exercisable at the end of the period	US$ 1,039	407	US$ 918	152

No share options were exercised in the period

The options outstanding and exercisable at 31 December 2008 can be analysed as follows;

	Options Outstanding			Options Exercisable		
Exercise Prices	Shares	Weighted Average Remaining Contractual	Weighted Average Exercise Price	Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
US$ 846	250	17.13	US$ 846	214	17.13	US$ 846
US$ 1,254	833	8.99	US$ 1,254	193	8.99	US$ 1,254
	1,083	10.87	1,160	407	13.27	1,039

Notes *(continued)*

19 Share based payments *(continued)*

The estimate of the fair value of the options is measured based on a Black-Scholes model, using assumptions noted in the information below. Fender Musical Instruments Corporation has elected for a policy of recognising the compensation cost for their awards over the requisite service period for each separate vesting portion (or tranche) of the award as if the award is, in substance, multiple awards. The expected term, which represents the period of time that options granted are expected to be outstanding, is estimated using the simplified method whereby the expected term equals 50% of the sum of the vesting term plus the original contractual term. The risk-free interest rate for the periods within the contractual life of the option is based on the U.S. Treasury yield curve.

The principal assumptions made under this methodology was as follows:

	2008	2007
Fair value at measurement date	US$ 1,503	US$ 1,254
Expected volatility	36.37%	35.67%
The risk free interest rate, based on the US treasury rate, is	3.31%	3.76%

The option life is expected to be between 5.5 to 7.5 years (2007: 5.5 to 6 years).

The expected volatility is based on the historic volatility of similar public traded Companies (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to available information.

The total expenses (and carrying value of the liability) recognised for the period arising from equity settled share based payments is £152,106 (2007: £40,912).

On 8 August 2008, the Company issued restricted stock units (RSU) as permitted under the 2007 Plan. The fair value of RSU's is determined based upon the fair value of the Company's Class B common stock on the date of grant. The RSU's vest and become unrestricted five years after the date of grant. Share based compensation expense is recognized using the same tranche vesting method the Company uses for recognizing expense related to its stock options.

A summary of activity and charges related to RSU's is as follows:

	Non-vested Shares	Weighted average grant-date fair value (per share
Outstanding 31 December 2007	-	-
Granted	67	US$ 1,503
Vested	(27)	-
Forfeited, cancelled or expired	-	-
Non-vested share outstanding, 31 December 2008	40	US$ 1,503

As of 31 December 2008, there was an aggregate of approximately US$35,000 of unearned compensation cost related to non-vested shares. This cost is expected to be recognized over a weighted average period of approximately 2.61 years. The total fair value of shares vested during the year ended 31 December 2008 was approximately US$65,000.

20 Ultimate parent Company and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of Fender International Corporation (incorporated in USA).

The largest group in which the results of the Company are consolidated is that headed by Fender Musical Instruments Corporation (incorporated in USA). Copies of the group accounts can be obtained from Fender Musical Instruments Corporation at 8860 East Chaparral Road, Suite 100, Scottsdale, Arizona, AZ 85250.