

EMI Paradise Music Limited

Directors' Report and Financial Statements

For the Year Ended 31 March 2011

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EMI Paradise Music Limited

Financial Statements

Year ended 31 March 2011

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EMI Paradise Music Limited

Officers and Professional Advisers

The board of directors	J C Channon (Resigned 9 September 2011) G K Moot C W Booth (Resigned 1 July 2010) F Malyan (Resigned 9 September 2011) A G Bebawi (Resigned 9 September 2011) C Palmer (Appointed 9 September 2011)
Company secretary	A G Bebawi & TMF Corporate Administration Services Limited
Registered office	27 Wrights Lane London United Kingdom W8 5SW
Auditor	KPMG LLP Chartered Accountants & Statutory Auditor 15 Canada Square London E14 5GL
Solicitors	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF

EMI Paradise Music Limited

The Director's Report

Year ended 31 March 2011

The director presents his report and the financial statements of the company for the year ended 31 March 2011
The comparatives are for the year ended 31 March 2010

Principal activities and business review

The principal activity of the company continued to be that of music publishing. No material change in the activity of business is contemplated.

Business review

During the financial year the company performed well with turnover increasing by 35% on prior year and gross profit increasing 33% on prior year.

The turnover of the company is generated from usage of the songs written by the company's composers and will vary in any given year alongside the market conditions and popularity of various genres of music. Direct costs attributed to the turnover are the writer's shares of the royalties earned on their compositions.

The company employs no staff and has no separate facilities or overheads, except for those recharged for services rendered by other companies in the EMI Music Publishing group.

Key performance indicators are designed to indicate how the company has performed on key ratios, and the company uses net publisher share margin and operating margin as the key performance indicators which are most appropriate. The NPS margin was consistent with prior year and the operating margin was down 18% on prior year.

There are no KPI's specifically relating to environmental and employee issues as the company has no employees or separate facilities. It is not possible to obtain meaningful market share information for a company of this size, so we do not consider a KPI appropriate.

Going Concern

The Directors have assessed the current and expected future funding position of the Company. After appropriate consideration they have concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Principal risks and uncertainties

The principal risks and uncertainties facing the company concern the value of the worldwide market for recorded music which has declined by about 8% year on year according to data from the IFPI. Whilst we believe that new digital products and services will drive a return to overall industry growth, there are no assurances of the timing or extent of any improvement. This may have a negative impact, as the company generates a significant portion of its revenues from mechanical royalties, primarily from the sale of music in CD and other formats. We are dependent on identifying, signing and retaining talented songwriters whose new releases are well received and whose music will continue to generate revenues for years to come. Competition for such talent is intense and our financial results would be adversely affected if we fail to identify, sign and retain songwriters. External bodies such as local third-party collection societies, have a significant influence on some of our revenues. Performance rates are usually set by performing rights societies and may be subject to challenge by licensees. These processes of setting mechanical and performance revenues may result in the setting of rates at levels lower than we would wish and may therefore adversely affect our ability to increase profitability.

Results and dividends

The profit for the year, after taxation, amounted to £1,100 (2010: £1,191). The director has not recommended a dividend (2010: £nil).

EMI Paradise Music Limited

The Director's Report *(continued)*

Year ended 31 March 2011

Directors

The directors who served the company during the year and up to the date of this report are listed on page 1

The company is a wholly owned subsidiary and the interests of the group director are disclosed in the financial statements of the parent company

Qualifying third party indemnity provisions

The parent undertaking, EMI Group Worldwide Holdings Limited, (formerly EMI Group Ltd) has maintained insurance to cover directors' and officers' liability as defined by Section 233 of the Companies Act 2006

Donations

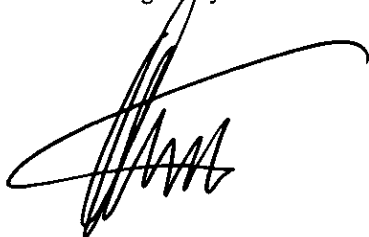
Grants and charitable donations made during the year amounted to £nil (2010 £nil) There were no political contributions made during the year (2010 £nil)

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditors are aware of that information

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

Signed by



Guy Moot
Director

Approved by the director on

23.09 11

EMI Paradise Music Limited

Statement of Director's Responsibilities in Respect of the Director's Report and the Financial Statements

Year ended 31 March 2011

The director is responsible for preparing the director's 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 they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice)

Under company law the director 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 these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 Shareholders of EMI Paradise Music Limited *(continued)*

We have audited the financial statements of EMI Paradise Music Limited for the year ended 31 March 2011 set out on pages 6 to 11. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of director and auditors

As explained more fully in the Director's Responsibilities Statement set out on page 4, the director is 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 and express an opinion on 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 of the financial statements

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/private.cfm.

Opinion on 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 March 2011 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Director's 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 director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Hugh Green (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Signed on *26 September 2011*

EMI Paradise Music Limited**Profit and Loss Account****Year ended 31 March 2011**

	Note	2011 £	2010 £
Turnover	2	3,839	2,854
Cost of sales		(1,642)	(1,200)
Gross profit		2,197	1,654
Administrative expenses		(669)	—
Operating profit, being profit on ordinary activities before taxation		1,528	1,654
Tax on profit on ordinary activities	6	(428)	(463)
Profit on ordinary activities after taxation, being profit for the financial year		<u>1,100</u>	<u>1,191</u>

The notes on pages 8 to 11 form part of these financial statements

All of the activities of the company are classed as continuing

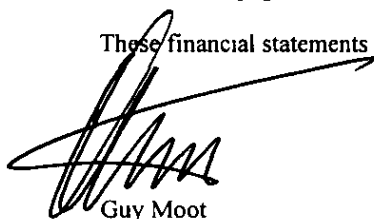
The company has no recognised gains and losses other than the results for the year as set out above

EMI Paradise Music Limited**Balance Sheet****At 31 March 2011**

	Note	2011 £	2010 £
Current assets			
Debtors	7	34,175	32,768
Creditors' amounts falling due within one year	8	(1,618)	(1,311)
Net current assets		<u>32,557</u>	<u>31,457</u>
Total assets less current liabilities		<u>32,557</u>	<u>31,457</u>
Capital and reserves			
Called-up share capital	9	100	100
Profit and loss account	10	<u>32,457</u>	<u>31,357</u>
Shareholders' funds	10	<u>32,557</u>	<u>31,457</u>

The notes on pages 8 to 11 form part of these financial statements

These financial statements were approved and signed by the director and authorised for issue on 23.09.11


Guy Moot
Director

Company Registration Number 691827

EMI Paradise Music Limited

Notes to the Financial Statements

Year ended 31 March 2011

1. Accounting policies

Basis of accounting

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

The Directors have assessed the current and expected future funding position of the Company. After appropriate consideration they have concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Cashflow statement

The company has taken advantage of the exemption in FRS 1 from disclosing a cashflow statement in the financial statements on the basis of its size.

Turnover

The company's turnover is wholly attributable to its principal activity and the directors do not believe that any part of the company's worldwide market is significantly different from any other.

Turnover consists of income from copyrights and is recorded when reported to the company by the relevant source. Turnover is stated after deducting all commissions and any sales related taxes levied on turnover.

All turnover arises from continuing activities. In certain countries, the company has assigned its rights to royalty income to other undertakings of the EMI Group.

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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Debtors - royalty advances

Royalties due to a composer are credited against any outstanding advance in the year of receipt until the advance is fully recovered. If it is thought that future earnings will not amount to the net value of an advance, then a provision for the estimated shortfall is raised. Advances are included in debtors as recoverable within one year although certain amounts may be recovered after more than one year.

EMI Paradise Music Limited**Notes to the Financial Statements****Year ended 31 March 2011****2. Turnover**

The turnover is attributable to the one principal activity of the company

An analysis of turnover by geographical market is given below

	2011 £	2010 £
United Kingdom	2,762	2,637
Rest of Europe	995	127
USA	1	11
Rest of the world	81	79
	<u>3,839</u>	<u>2,854</u>

3. Profit before tax on ordinary activities

	2011 £	2010 £
Operating profit on ordinary activities before tax is stated after charging		
Auditor's remuneration - audit of these financial statements	<u>500</u>	<u>500</u>

In the current year the auditors' remuneration and management charges have been borne by another group company, EMI Music Publishing Limited. Amounts receivable by the company's auditors and their associates, other than the audit of the company's financial statements, have not been disclosed as the information is required, instead, to be disclosed on a consolidated basis in the consolidated financial statements of the Group.

4. Directors' emoluments

The directors received no remuneration for their services to the company during the year (2010: £nil)

5. Particulars of employees

The company had no employees (2010: none)

6. Taxation on ordinary activities**(a) Analysis of charge in the year**

	2011 £	2010 £
Current tax		
UK Corporation tax based on the results for the year at 28% (2010: 28%)	<u>428</u>	<u>463</u>
Total current tax	<u>428</u>	<u>463</u>

EMI Paradise Music Limited**Notes to the Financial Statements****Year ended 31 March 2011****6 Taxation on ordinary activities (continued)**
(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 28% (2010 - 28%)

	2011 £	2010 £
Profit on ordinary activities before taxation	<u>1,528</u>	<u>1,654</u>
Current tax at 28% (2010 - 28%)	428	463
Total current tax (note 6(a))	<u>428</u>	<u>463</u>

(c) Factors that may affect future tax charges

On 23 March 2011, a resolution passed by Parliament reduced the main rate of corporation tax to 26 per cent from 1 April 2011, which is reflected within the deferred tax calculations within these financial statements

On 5 July 2011, legislation to further reduce the main rate of corporation tax from 26 per cent to 25 per cent from 1 April 2012 was substantially enacted, which has not been reflected in the above calculation

Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 23 per cent by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

Deferred tax

At the balance sheet date the company had unused tax losses of £nil (2010 - £nil) available for offset against future profits

7 Debtors

	2011 £	2010 £
Amounts due from related parties	34,175	26,286
Other debtors	—	6,482
	<u>34,175</u>	<u>32,768</u>

8 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	1,190	847
Corporation tax	428	464
	<u>1,618</u>	<u>1,311</u>

EMI Paradise Music Limited**Notes to the Financial Statements****Year ended 31 March 2011****9 Share capital**
Allotted, called up and fully paid:

	2011		2010	
	No	£	No	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

10. Reconciliation of shareholders' funds and movement on Reserves

	Share capital	Profit and loss account	Total share-holders' funds
	£	£	£
At 1 April 2009	100	30,166	30,266
Profit for the year	–	<u>1,191</u>	<u>1,191</u>
At 31 March 2010 and 1 April 2010	100	31,357	31,457
Profit for the year	–	<u>1,100</u>	<u>1,100</u>
At 31 March 2011	<u>100</u>	<u>32,457</u>	<u>32,557</u>

11 Related party transactions

The company paid management fees amounting to £669 (2010 £nil) during the year to EMI Music Publishing Limited, a member of the EMI group. An amount of £34,175 was owed by EMI Music Publishing Limited at 31 March 2011 (2010 £26,287).

12. Ultimate parent company

The company is 50% owned by EMI Music Publishing Limited, whose ultimate parent is Citigroup Inc, a company registered in Delaware United States, and 50% owned by Terence Nelhams.

The previous ultimate parent undertaking and controlling party of EMI Music Publishing Limited was TFCP Holdings Limited, a company registered in Guernsey.