

**Bardell Smith Publishing Limited**  
**Financial Statements**  
**31 March 2007**

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# **Bardell Smith Publishing Limited**

## **Officers and Professional Advisers**

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<b>The board of directors</b>	P J Cox (resigned - 31 March 2007) J C Channon (resigned - 23 November 2007) A J Mollett (resigned - 31 August 2007) C W Booth (resigned - 23 November 2007) F Malyan (resigned - 23 November 2007) M N Bandier (resigned - 6 March 2007) G K Moot (resigned - 23 November 2007) A G Bebawi (resigned - 23 November 2007) C Roling (appointed - 23 November 2007) S Alexander (appointed - 23 November 2007) R Punja (appointed - 23 November 2007) J C Quillan (appointed - 23 July 2007) (resigned - 23 November 2007)
<b>Company secretary</b>	A G Bebawi
<b>Registered office</b>	27 Wrights Lane London W8 5SW
<b>Auditor</b>	Ernst & Young LLP Registered Auditors 1 More London Place London SE1 2AF
<b>Bankers</b>	NatWest Bank Plc PO Box 2162 20 Dean Street London W1A 1SX
<b>Solicitors</b>	Mayer, Brown, Rowe and Maw LLP 11 Pilgrim Street London EC4V 6RN

# **Bardell Smith Publishing Limited**

## **The Directors' Report**

### **year ended 31 March 2007**

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The directors present their report and the financial statements of the company for the year ended 31 March 2007

#### **Principal activities and business review**

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

During the financial year, the company performed very well, with turnover increasing and the operating result improving on last year. Turnover was up 56% on last year and the operating result was up 27% on last 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.

There were no unusual costs incurred during the year. 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.

At the end of the year the company was in a net liability position with a reasonable level of business reflected in the accounts, and indicating a continuing reasonable level of performance in a market which remained fairly static throughout the year.

Key performance indicators show an increase in the gross margin because third party turnover at a good margin is higher, but there has been a reduction in the operating profit margin as the audit fee has increased. There are no KPI's specifically relating to environmental and employee issues as the company has no employees or separate facilities.

#### **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 20% since 2001 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 dependant 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 loss for the year amounted to £373 (2006 loss £512). The directors have not recommended a dividend (2006 £nil).

# **Bardell Smith Publishing Limited**

## **The Directors' Report** *(continued)*

### **year ended 31 March 2007**

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#### **Post balance sheet events**

It was announced on 21 May 2007 that the boards of directors of Maltby Limited ("Maltby"), a company formed and registered in England and Wales at the direction of Terra Firma, and EMI Group plc, the parent undertaking, had reached agreement on the terms of a recommended cash offer by Maltby to acquire the whole of the issued and to be issued share capital of EMI Group plc (the "Offer"). The Offer Document was posted to EMI Shareholders on 30 May 2007. On 1 August 2007, the board of directors of Maltby announced that the Offer had become unconditional as to acceptances and would remain open until further notice, and that the Conditions set out in paragraphs 1(b) and 1(d) of Part A of Appendix I to the Offer Document (being the conditions relating to the EC Merger Regulation and the US Hart-Scott-Rodino Antitrust Improvements Act of 1976) had already been satisfied. The Offer remained subject to the further Conditions set out in paragraphs 1(c) and 1(e) to 1(i) of Part A of Appendix I to the Offer Document. On 17 August 2007, the board of directors of Maltby announced that the Offer had become unconditional in all respects. On 18th September 2007, following applications to the Financial Services Authority for cancellation of the listing of EMI Group plc shares on the Official List and to the London Stock Exchange for the cancellation of the admission of EMI Group plc shares to trading on the London Stock Exchange's market for listed securities, the cancellations took effect. On 4 October 2007 EMI Group plc reregistered as a private limited company and changed its name to EMI Group Limited.

On 27 November 2007 the company issued 10,000 shares of nominal value £1 for £10,000.

#### **Directors**

The directors who served the company during the year are listed on page 1.

P J Cox resigned as a director on 31 March 2007  
M N Bandier resigned as a director on 6 March 2007  
C Roling was appointed as a director on 23 November 2007  
S Alexander was appointed as a director on 23 November 2007  
R Punja was appointed as a director on 23 November 2007  
J C Quillan was appointed as a director on 23 July 2007  
J C Channon resigned as a director on 23 November 2007  
A J Mollett resigned as a director on 31 August 2007  
C W Booth resigned as a director on 23 November 2007  
F Malyan resigned as a director on 23 November 2007  
G K Moot resigned as a director on 23 November 2007  
A G Bebawi resigned as a director on 23 November 2007  
J C Quillan resigned as a director on 23 November 2007

#### **Completeness of information to auditors**

In the case of each of the persons who are directors at the time when the report is approved under Companies Act 1985 section 234A:

a) So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

b) he/she has taken all the steps that they ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

#### **Qualifying third party indemnity provisions**

The parent undertaking, EMI Group Limited, (formerly EMI Group plc) has maintained insurance to cover directors' and officers' liability as defined by section 310(3)(a) of the Companies Act 1985 (as amended).

# **Bardell Smith Publishing Limited**

## **The Directors' Report** *(continued)*

**year ended 31 March 2007**

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Signed on behalf of the directors



Director

**30 NOV 2007**

Approved by the directors on

# **Bardell Smith Publishing Limited**

## **Statement of Directors' Responsibilities**

**year ended 31 March 2007**

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The directors are responsible for preparing the accounts in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

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). 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,
- 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 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.

# **Bardell Smith Publishing Limited**

## **Independent Auditor's Report to the Members of Bardell Smith Publishing Limited**

**year ended 31 March 2007**

We have audited the company's financial statements for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 11. 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 Annual Report and the financial statements in accordance with applicable United Kingdom law and 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 judgements 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.

# **Bardell Smith Publishing Limited**

## **Independent Auditor's Report to the Members of Bardell Smith Publishing Limited *(continued)***

**year ended 31 March 2007**

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### **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 March 2007 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 directors' report is consistent with the financial statements

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditors  
1 More London Place  
London  
SE1 2AF

**30 NOV 2007**



# Bardell Smith Publishing Limited

## Profit and Loss Account

year ended 31 March 2007

	Note	2007 £	2006 £
Turnover	2	1,721	1,105
Cost of sales		(809)	(758)
Gross profit		912	347
Distribution costs		(83)	(40)
Administrative expenses		(1,202)	(819)
Operating loss, being loss on ordinary activities before taxation	3	(373)	(512)
Tax on loss on ordinary activities	6	—	—
Loss on ordinary activities after taxation, being loss for the financial year		<u>(373)</u>	<u>(512)</u>

All of the activities of the company are classed as continuing

### Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £373 attributable to the shareholders for the year ended 31 March 2007 (2006 - loss of £512)

The notes on pages 10 to 13 form part of these financial statements

# Bardell Smith Publishing Limited

## Balance Sheet

31 March 2007

	Note	2007 £	2006 £
Creditors' Amounts falling due within one year	7	4,128	3,755
Total assets less current liabilities		<u>(4,128)</u>	<u>(3,755)</u>
Capital and reserves			
Called-up equity share capital	8	100	100
Profit and loss account	9	<u>(4,228)</u>	<u>(3,855)</u>
Shareholders' deficit	9	<u>(4,128)</u>	<u>(3,755)</u>

These financial statements were approved by the directors on the **30 NOV 2007** and are signed on their behalf by

Director



The notes on pages 10 to 13 form part of these financial statements

# Bardell Smith Publishing Limited

## Notes to the Financial Statements

year ended 31 March 2007

### 1. Accounting policies

#### Basis of preparation

The financial statements have been prepared under the historical cost convention

#### Cash flow statement

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and part of EMI Group Limited, (formerly EMI Group plc) whose consolidated financial statements contain a cash flow

#### Related party transactions

The company has taken advantage of the exemption from disclosing transactions with other group undertakings and qualifying related parties under FRS 8

#### 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

#### Going concern

The financial statements have been prepared under the going concern concept on the basis that funds will continue to be made available by the parent undertaking as necessary to enable the company to meet its liabilities as they fall due

### 2 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 represents the invoiced value of the contracted amount of services supplied by the company after deducting all commissions and any sales related taxes levied on turnover

In certain countries, the company has assigned its rights to royalty income to other undertakings of the EMI group

All turnover is attributable to music publishing, the analysis by geographical market being as follows

	2007 £	2006 £
United Kingdom	1,477	812
Rest of Europe	204	257
USA	7	13
Rest of the world	33	23
	<u>1,721</u>	<u>1,105</u>

### 3. Operating loss

Operating loss is stated after charging

	2007 £	2006 £
Auditor's remuneration - as auditor	<u>1,000</u>	<u>739</u>

Management charges of £286 (2006 - £120) have been split between distribution costs and administrative expenses in the profit and loss account

# Bardell Smith Publishing Limited

## Notes to the Financial Statements

year ended 31 March 2007

### 4 Directors' emoluments

The directors of the company are also directors of EMI Music Publishing Limited and fellow subsidiaries. The directors received a total remuneration for the year of £2,251,810 (2006 - £4,296,278), all of which was paid by EMI Music Publishing Limited. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of EMI Music Publishing Limited and fellow subsidiary undertakings.

M N Bandier is a director of EMI Group plc, and his interests in the shares of that company as at 6 March 2007 are shown in its annual report.

### 5 Staff costs

The company had no employees (2006 - none)

### 6 Tax on profit/(loss) on ordinary activities

	2007 £	2007 £
<b>UK corporation tax</b>		
UK corporation tax on profits of the period	—	—
<b>Foreign tax</b>		
Current year	—	—
Adjustments in respect of previous periods	—	—
Total current tax charge		—
<b>Deferred tax</b>		
Originating and reversal of timing differences	—	—
Effect of changes in tax rate on opening liability	—	—
Changes in recoverable amounts of deferred tax assets	—	—
Tax on profit/loss on ordinary activities		—

# Bardell Smith Publishing Limited

## Notes to the Financial Statements

year ended 31 March 2007

	2007 £
<b>Factors affecting current tax charge</b>	
Profit/(loss) on ordinary activities before tax	(373)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	(112)
Effect of Tax losses surrendered for nil payment	112
Total current tax charge	-

### Factors affecting future tax charge

As part of the EMI Group, the company may receive or surrender losses by way of group relief. This receipt or surrender may be made with or without charge, although group policy is currently to charge £1 for every £1 of group relief received.

### Deferred tax

At the balance sheet date the company had unused tax losses of £3,194 available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the uncertainty of future profits against which to utilise those losses.

### Prior year taxation

The company is primarily liable for UK corporation tax on its profits. However, no provision has been made in prior years for either current or deferred taxation as an undertaking had been received from its ultimate parent undertaking, EMI Group Limited, (formerly EMI Group plc) that the latter entity assumed all liability for any taxation for accounting periods ending up to 31 March 2006 so long as the company remained a subsidiary. This undertaking was withdrawn in respect of periods beginning on or after 1 April 2006 although it remains effective for previous periods. Consequently current and deferred taxation have been provided in the Company for year to 31 March 007.

## 7. Creditors: Amounts falling due within one year

	2007 £	2006 £
Trade creditors	365	197
Amounts owed to group undertakings	3,729	3,542
Other taxation and social security	34	16
	<u>4,128</u>	<u>3,755</u>

## 8. Share capital

### Authorised share capital.

	2007 £	2006 £
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

### Allotted, called up and fully paid.

	2007		2006	
	No	£	No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

# Bardell Smith Publishing Limited

## Notes to the Financial Statements

year ended 31 March 2007

### 9 Reconciliation of shareholders' funds and movement on reserves

	Share capital	Profit and loss account	Total shareholders' funds
	£	£	£
At 1 April 2006	100	(3,855)	(3,755)
Loss for the year	-	(373)	(373)
At 31 March 2007	<u>100</u>	<u>(4,228)</u>	<u>(4,128)</u>

### 10 Post balance sheet events

It was announced on 21 May 2007 that the boards of directors of Maltby Limited ("Maltby"), a company formed and registered in England and Wales at the direction of Terra Firma, and EMI Group plc, the parent undertaking, had reached agreement on the terms of a recommended cash offer by Maltby to acquire the whole of the issued and to be issued share capital of EMI Group plc (the "Offer"). The Offer Document was posted to EMI Shareholders on 30 May 2007. On 1 August 2007, the board of directors of Maltby announced that the Offer had become unconditional as to acceptances and would remain open until further notice, and that the Conditions set out in paragraphs 1(b) and 1(d) of Part A of Appendix I to the Offer Document (being the conditions relating to the EC Merger Regulation and the US Hart-Scott-Rodino Antitrust Improvements Act of 1976) had already been satisfied. The Offer remained subject to the further Conditions set out in paragraphs 1(c) and 1(e) to 1(i) of Part A of Appendix I to the Offer Document. On 17 August 2007, the board of directors of Maltby announced that the Offer had become unconditional in all respects. On 18th September 2007, following applications to the Financial Services Authority for cancellation of the listing of EMI Group plc shares on the Official List and to the London Stock Exchange for the cancellation of the admission of EMI Group plc shares to trading on the London Stock Exchange's market for listed securities, the cancellations took effect. On 4 October 2007 EMI Group plc reregistered as a private limited company and changed its name to EMI Group Limited.

On 27 November 2007 the company issued 10,000 shares of nominal value £1 for £10,000.

### 11 Ultimate parent company

The parent undertaking of the smallest and largest group of undertakings for which consolidated financial statements are drawn up and of which the company is a member is EMI Group Limited, (formerly EMI Group plc) which is the ultimate parent undertaking registered in England and Wales. Copies of EMI Group Limited's financial statements can be obtained from EMI Group Limited, 27 Wrights Lane, London W8 5SW, England.