

**BMG 10 Music Limited (formerly EMI 10 Music Limited)**

**Directors' Report and Financial Statements**

**For the Year Ended 31 March 2013**



# **BMG 10 Music Limited (formerly EMI 10 Music Limited)**

## **Financial Statements**

**Year ended 31 March 2013**

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## **BMG 10 Music Limited (formerly EMI 10 Music Limited)**

### **Officers and Professional Advisers**

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**The board of directors**

M Ranyard (Appointed 15 May 2013)  
G Moot (Resigned 29 June 2012)  
F Crimmins (Served from 29 June 2012 to 15 May 2013)  
A Cory-Smith (Appointed 15 May 2013)  
H Masuch (Appointed 15 May 2013)  
J Dobinson (Appointed 15 May 2013)  
M Dressendörfer (Appointed 15 May 2013)  
D Johnson (Served from 29 June 2012 to 15 May 2013)  
C Palmer (Resigned 29 June 2012)

**Company secretary**

A G Bebawi & TMF Corporate Administration Services Limited

**Registered office**

c/o Davenport Lyons  
30 Old Burlington Street  
London  
United Kingdom  
W1S 3NL

**Auditor**

PricewaterhouseCoopers LLP  
Chartered Accountants  
& Statutory Auditors  
10 Bricket Road  
St Albans  
Hertfordshire  
United Kingdom  
AL1 3JX

**Solicitors**

Mayer Brown International LLP  
201 Bishopsgate  
London  
EC2M 3AF

## **BMG 10 Music Limited (formerly EMI 10 Music Limited)**

### **The Directors' Report**

#### **Year ended 31 March 2013**

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The directors present their report and the financial statements of the company for the year ended 31 March 2013  
The comparatives are for the year ended 31 March 2012

##### **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 experienced a fall in turnover of 17% on prior year offset by a decrease in COS proportionate to turnover resulting in an increase in NPS of 45%. Operating result was up 102% on prior year due to a fall in cost of sales and in operating expenses.

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 had performed on key ratios, and the company uses NPS margin and operating margin as the key performance indicators which are most appropriate. The NPS margin was up 24% on prior year due to lower cost of sales proportionate to turnover. Operating margin was up 30% with prior year.

There are no KPIs 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 prepared financial projections for a period of more than twelve months from the date of approval of these financial statements. After considering these financial projections, the directors have concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future and as a result have prepared these financial statements on a going concern basis.

##### **Subsequent events**

On 31 December 2012, an agreement for sale was reached between EMI 10 Music Publishing Limited and the BMG Rights Management Group. The sale completed on 15 May 2013. For further details see Note 11 Subsequent events.

##### **Principal Risks and Uncertainties**

The principal risks and uncertainties facing the company concern the value of the worldwide market for recorded music which despite a 0.3% increase this year, has in recent years declined by about 9% 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 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. Mechanical and Performance rates as well as distribution rules are usually set by performing rights societies through board approval and as such 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 £376,799 (2012: £199,667). On 15 May 2013 the Company paid dividends to the immediate parent company EMI Consortium Music Publishing Limited of £1,675,175.00 and to the minority parent Keith Prowse MP Company Limited (7.5% interest) of £135,825.00.

## **BMG 10 Music Limited (formerly EMI 10 Music Limited)**

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

**Year ended 31 March 2013**

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#### **Directors**

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

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

Certain directors benefited from the qualifying third party indemnity provisions in place during the financial year and at the date of this report

#### **Donations**

Grants and charitable donations made during the year amounted to £nil (2012: £nil) There were no political contributions made during the year (2012: £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 auditor is 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 auditor is aware of that information

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

Signed on behalf of the directors



M Ranyard  
Director  
33 Wigmore Street  
London  
United Kingdom  
W1U 1QX

Approved by the directors on 24 September 2013

## **BMG 10 Music Limited (formerly EMI 10 Music Limited)**

### **Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements**

**Year ended 31 March 2013**

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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 United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the directors 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 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 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 directors are 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 them to ensure that the financial statements comply with the Companies Act 2006. 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.

## **Independent Auditor's Report to the Shareholders of BMG 10 Music Limited (formerly EMI 10 Music Limited)**

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We have audited the financial statements of BMG 10 Music Limited (formerly EMI 10 Music Limited) for the year ended 31 March 2013 which comprise the Profit and Loss Account, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's shareholders as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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



Matthew Mullins (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
St Albans

30 September 2013

**BMG 10 Music Limited (formerly EMI 10 Music Limited)****Profit and Loss Account****Year ended 31 March 2013**

	Note	2013 £	2012 £
Turnover	2	783,438	939,627
Cost of sales		(348,043)	(638,737)
Gross profit		435,395	300,890
Distribution costs		–	(36,747)
Administrative expenses		(32,666)	(64,476)
Operating profit, being profit on ordinary activities before taxation	3	402,729	199,667
Tax on profit on ordinary activities	6	(25,930)	–
Profit on ordinary activities after taxation, being profit for the financial year		<u>376,799</u>	<u>199,667</u>

The notes on pages 8 to 12 form part of these financial statements.

All of the activities of the company are classed as continuing as in prior year

The company has no recognised gains or losses (2012: none) other than the results for the year as set out above

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

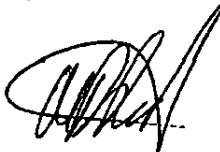


**BMG 10 Music Limited (formerly EMI 10 Music Limited)****Balance Sheet****At 31 March 2013**

	Note	2013 £	2012 £
<b>Current assets</b>			
Debtors	7	2,384,164	2,048,496
<b>Creditors: amounts falling due within one year</b>	8	(443,854)	(484,985)
<b>Net current assets</b>		<u>1,940,310</u>	<u>1,563,511</u>
<b>Total assets less current liabilities</b>		<u>1,940,310</u>	<u>1,563,511</u>
<b>Capital and reserves</b>			
Called-up share capital	9	100	100
Profit and loss account	10	<u>1,940,210</u>	<u>1,563,411</u>
<b>Total shareholders' funds</b>	10	<u>1,940,310</u>	<u>1,563,511</u>

The notes on pages 8 to 12 form part of these financial statements

These financial statements were approved by the directors and authorised for issue on 24 September 2013, and are signed on their behalf by:



M Ranyard  
Director

Company Registration Number 1647160

## **BMG 10 Music Limited (formerly EMI 10 Music Limited)**

### **Notes to the Financial Statements**

**Year ended 31 March 2013**

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**1. Accounting policies**

**Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

**Going Concern**

BMG 10 Music Limited (formerly EMI 10 Music Limited) has made a profit for the year of £376 8 thousand (2012 £199 7 thousand) and has net current assets of £1.9 million (2012 £1 6 million) and net assets of £1 9 million (2012 £1 6 million) at the reporting date

Prior to the change of ownership the Company operated as part of the DH Publishing L P group ("the Group") (see Note 12 Ultimate parent company) and has provided a guarantee to the Group's lender; as such the Company is affected by the terms of the Group's banking facilities. The continued availability of existing bank facilities requires the Group to comply with the covenants set out in those bank facilities

The strong balance sheet combined with continued strong operating performance means that the Group is able to meet its ongoing working capital needs and its current debt service obligations under the finance facility agreements for a period of more than twelve months from the date of approval of these financial statements

The Company has also prepared its own financial projections for a period of more than twelve months from the date of approval of these financial statements which indicate that it will be able to continue to meet its financial obligations during this period

After considering these financial projections, the directors have concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future and as a result have prepared these financial statements on a going concern basis

**Cash flow statement and related party disclosures**

At the balance sheet date the company was a wholly owned subsidiary of DH Publishing LP and is included in the consolidated financial statements of DH Publishing which are available from 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands. Consequently the company has taken exemption from preparing the cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the DH Publishing LP group or investees of the DH Publishing LP group

**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.

**BMG 10 Music Limited (formerly EMI 10 Music Limited)****Notes to the Financial Statements****Year ended 31 March 2013****1. Accounting policies (continued)****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 an advancee are credited against the outstanding advance in the year of receipt until the amount of the advance is extinguished. If it is thought that future earnings will not amount to the written-down value of an advance, a provision for the estimated shortfall will be raised. Advances are included in debtors as recoverable within one year although certain amounts may be recovered after more than one year

**2. Turnover**

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

An analysis of turnover by geographical market is given below:

	2013 £	2012 £
United Kingdom	224,195	302,979
Rest of Europe	354,841	384,820
USA	114,776	135,315
Rest of the world	89,626	116,513
	<u>783,438</u>	<u>939,627</u>

**3. Profit before tax on ordinary activities**

	2013 £	2012 £
Operating profit on ordinary activities before tax is stated after charging		
Auditor's remuneration. - audit of these financial statements	<u>2,666</u>	<u>1,900</u>

Administration fees of £30,000 were calculated based on 15% of NPS for the period up to 31 December 2012 (which was the date of sale, see Note 11 Subsequent events). A further £2,666 of audit fees are included in administration fees.

In prior year, management charges due to EMI Music Publishing Limited of £99,323 were split between distribution costs and administrative expenses in the profit and loss account

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**

Remuneration for services provided by all other directors has been borne by EMI Music Publishing Limited and has been presented within that Company's financial statements

The directors do not believe that it is practicable to apportion their remuneration between their services as directors of the company and their services as directors of EMI Music Publishing Limited and fellow subsidiary undertakings

**5. Staff costs**

The company had no employees (2012: none). All staff costs are borne by EMI Music Publishing Limited

**BMG 10 Music Limited (formerly EMI 10 Music Limited)****Notes to the Financial Statements****Year ended 31 March 2013****6. Taxation on ordinary activities**  
**(a) Analysis of charge in the year**

	2013 £	2012 £
Current tax		
UK Corporation tax based on the results for the year at 24% (2012 - 26%)	96,655	51,913
Group relief received for nil payment	(70,725)	(51,913)
Total current tax	<u>25,930</u>	<u>-</u>

**(b) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 24% (2012 - 26%)

	2013 £	2012 £
Profit on ordinary activities before taxation	<u>402,729</u>	<u>199,667</u>
Current tax at 24% (2012 - 26%)	96,655	51,913
Group relief received for nil payment	(70,725)	(51,913)
Total current tax (note 6(a))	<u>25,930</u>	<u>-</u>

**(c) Factors that may affect future tax charges**

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. Following divestment from EMI Group, no group relief will be available for the post divestment period.

On 3 July 2012, the legislation of the reduction of UK corporation tax rate to 23 per cent from 1 April 2013 was substantially enacted.

On 20 March 2013, a resolution was passed by Parliament to reduce the main UK corporation tax rate to 20 per cent from 1 April 2015.

On 17 July 2013, the legislation of the reduction of UK corporation tax rate to 21 per cent from 1 April 2014 was substantially enacted. None of the above changes are reflected in the above calculation.

**BMG 10 Music Limited (formerly EMI 10 Music Limited)****Notes to the Financial Statements****Year ended 31 March 2013****7. Debtors**

	2013 £	2012 £
Amounts owed by group undertakings	2,260,685	2,011,991
Prepayments and accrued income	123,479	36,505
	<u>2,384,164</u>	<u>2,048,496</u>

Amounts due from group undertakings relate to amounts due from other companies within the EMI Music Publishing Group of which BMG 10 Music Limited (formerly EMI 10 Music Limited) was a member until 15 May 2013 (see Note 11 Subsequent events)

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Prepayments and accrued income amounts relate to advances paid to writers less the provisions made against those balances

**8. Creditors: amounts falling due within one year**

	2013 £	2012 £
Trade creditors	415,337	484,985
Corporation tax	25,930	—
Other creditors	2,587	—
	<u>443,854</u>	<u>484,985</u>

**9. Share capital**

Allotted, called up and fully paid:

	2013 No	£	2012 No	£
200 Ordinary shares of £0.50 each	<u>200</u>	<u>100</u>	<u>200</u>	<u>100</u>

**10. Reconciliation of shareholders' funds and movement on reserves**

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 April 2011	100	1,363,744	1,363,844
Profit for the year	—	199,667	199,667
At 31 March 2012 and 1 April 2012	<u>100</u>	<u>1,563,411</u>	<u>1,563,511</u>
Profit for the year	—	376,799	376,799
At 31 March 2013	<u>100</u>	<u>1,940,210</u>	<u>1,940,310</u>

## **BMG 10 Music Limited (formerly EMI 10 Music Limited)**

### **Notes to the Financial Statements**

#### **Year ended 31 March 2013**

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**11. Subsequent events**

On 31 December 2012, an agreement for sale was reached between EMI 10 Music Publishing Limited and the BMG Rights Management Group. The sale completed on 15 May 2013.

On 15 May 2013 the Company paid dividends to the immediate parent company EMI Consortium Music Publishing Limited of £1,675,175.00 and to the minority parent Keith Prowse MP Company Limited (7.5% interest) of £135,825.00.

The Company changed its name from EMI 10 Music Limited to Rosetta VM 10 Music Limited on 25th April 2013. The Company then changed its name from Rosetta VM 10 Music Limited to BMG 10 Music Limited on 16th May 2013.

**12. Ultimate parent company**

At the balance sheet date the ultimate parent undertaking of the Group was DH Publishing L P, a partnership registered in the Cayman Islands. The Company's immediate parent undertaking was EMI Consortium Music Publishing Limited, a company registered in England and Wales. The parent undertaking of the largest group to consolidate these financial statements was DH Publishing L P.

The address from which the accounts of DH Publishing L P can be requested is DH Publishing LP, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands.

On 15 May 2013, the ownership of the Company changed (see Note 11 Subsequent events). The current ultimate parent undertaking of the Group is Bertelsmann SE & Co KGaA, a company registered in Germany.

The company's immediate parent undertaking is Stage Three Music (Catalogues) Limited, a company registered in England and Wales.

The parent undertaking of the largest group to consolidate these financial statements is Bertelsmann SE & Co KGaA.

The address from which the accounts of the new parent company's group can be obtained is Carl-Bertelsmann-Strasse 270, 33311 Gütersloh, Germany.