

**Company Registration No. 01647160**

**BMG 10 Music Limited**

**Reports and Financial Statements**

**31 December 2015**



# **BMG 10 Music Limited**

## **Report and financial statements 2015**

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# **BMG 10 Music Limited**

## **Officers and professional advisers**

### **Directors**

Hartwig Masuch  
Maximilian Dressendörfer  
Alexi Cory-Smith  
Paul Wilson

### **Company Secretary**

Erika Brennan

### **Registered Office**

8<sup>th</sup> Floor, 5 Merchant Square  
London  
W2 1AS  
United Kingdom

### **Bankers**

Deutsche Bank AG London  
Winchester House  
1 Great Winchester Street  
EC2N 2DB

### **Solicitors**

Simons Muirhead & Burton  
8-9 Frith Street  
London  
W1D 3JB

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

# **BMG 10 Music Limited**

## **Strategic report**

The directors present the Strategic report for the year ended 31 December 2015 for BMG 10 Music Limited (the "Company").

### **Business review**

BMG 10 Music Limited is a United Kingdom subsidiary of BMG Rights Management (UK) Ltd ("BMG UK"). BMG 10 Music Limited owns and administers rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use. It additionally contracts as a sub-publisher for collection and transfer of monies to other affiliated companies within the BMG Group.

### **Strategy**

The Company is part of an international group of companies focused on the management of music rights. The Company covers the entire range of rights administration, development and exploitation, placing the needs of songwriters and artists at the core of its business model. The Company has established a presence in its core music markets and now represents rights to numerous songs and recordings. At the core of the Company's strategy is delivering a high quality rights administration service to artists and writers.

### **Business performance**

As shown in the Company's Statement of comprehensive income on page 8, the Company reported revenues of £1,021,000 (2014: £364,000) and gross profit of £367,000 (2014: £85,000). The operating profit was £180,000 (2014: £38,000).

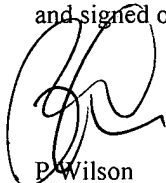
### **Key performance indicators**

The directors monitor the Company's performance in a number of ways including key performance indicators such as reported revenue, gross profit/net publisher's share (revenue received by a music publisher less and royalties payable), operating profit (Earnings Before Interest and Taxes; "EBIT") and EBITDA (as adjusted for depreciation and amortisation). The Company is financed through intercompany funding from its group parent companies and through equity.

### **Principal risks and uncertainties**

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the BMG UK group and are not managed separately. Accordingly, the principal risks and uncertainties of BMG Rights Management (UK) Ltd, which include those of the company, are discussed on page 2 of the those financial statements which does not form part of this report.

Approved by the Board of Directors  
and signed on behalf of the Board



P. Wilson  
Director

22 September 2016

# **BMG 10 Music Limited**

## **Directors' report**

The directors present their report and audited financial statements for the year ended 31 December 2015 for BMG 10 Music Limited (the "Company").

### **Principal activities**

The principal business of the Company during the year ended 31 December 2015 was music publishing.

The Company's music publishing business can be summarised as an intellectual property business focused on the exploitation of the copyright of songs. In return for promoting, placing, marketing and administering the creative output of a songwriter, the Company retains a share of revenues generated from use of the song. The services described above are also carried out on behalf of other rights holders such as catalogue owners and other publishing companies.

### **Outlook**

The directors do not anticipate any significant changes in the activities of the Company.

### **Going concern**

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1 to the financial statements.

### **Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Alexi Cory-Smith  
John Dobinson (resigned 11 June 2015)  
Maximilian Dressendörfer  
Hartwig Masuch  
Mark Ranyard (resigned 21 December 2015)  
Paul Wilson (appointed 1 October 2015)

### **Dividends**

The directors did not declare a dividend during the year (2014: £nil).

### **Directors and officers insurance**

The Company maintains liability insurance for directors and officers of the Company.

### **Political and charitable contributions**

The Company made no political or charitable contributions or incurred any political expenditure during the current year or prior year.

## **BMG 10 Music Limited**

### **Directors' report (continued)**

#### **Statement of disclosure of information to auditors**

Each of the persons who are a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

# **BMG 10 Music Limited**

## **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic report, 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 the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

Approved by the Board of Directors  
and signed on behalf of the Board



P. Wilson  
Director

22 September 2016

# **BMG 10 Music Limited**

## **Independent auditors' report to the members of BMG 10 Music Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, BMG 10 Music Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Reports and Financial Statements ("the Annual Report"), comprise:

- the Statement of financial position as at 31 December 2015;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended;
- the Statement of cash flows for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

In our opinion, the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



# **BMG Music 10 Limited**

## **Independent auditors' report to the members of BMG 10 Music Limited (continued)**

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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) ("ISAs (UK & 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 members 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.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Jonathan Ford (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

22 September 2016

## BMG 10 Music Limited

### Statement of comprehensive income Year ended 31 December 2015

		Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
	Note		
Revenue	2	1,021	364
Cost of sales		(654)	(279)
<b>Gross profit</b>		<b>367</b>	<b>85</b>
Administrative expenses		(187)	(47)
<b>Operating profit</b>		<b>180</b>	<b>38</b>
Finance cost		-	(2)
<b>Profit from operations before taxation</b>	3	<b>180</b>	<b>36</b>
Taxation	5	(36)	-
<b>Profit and total comprehensive income for the year</b>		<b>144</b>	<b>36</b>

The accompanying notes are an integral part of this Statement of comprehensive income for the year ended 31 December 2015. All results relate to continuing operations.

# BMG 10 Music Limited

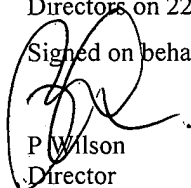
## Statement of financial position As at 31 December 2015

	Note	31 December 2015 £'000	31 December 2014 £'000
<b>Current assets</b>			
Trade and other receivables	6	827	507
<b>Total current assets</b>		827	507
<b>Total assets</b>		827	507
<b>Current liabilities</b>			
Trade and other payables	7	526	350
<b>Total current liabilities</b>		526	350
<b>Net assets</b>		301	157
<b>Equity</b>			
Share capital	8	-	-
Retained earnings		301	157
<b>Total equity</b>		301	157

The accompanying notes are an integral part of this Statement of financial position.

The financial statements of BMG 10 Music Limited, registered number 01647160, were approved by the Board of Directors on 22 September 2016.

Signed on behalf of the Board of Directors



P Wilson  
Director

## **BMG 10 Music Limited**

### **Statement of changes in equity Year ended 31 December 2015**

	<b>Share Capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total equity £'000</b>
As at 1 January 2015	-	157	157
Profit and total comprehensive income for the year	-	144	144
As at 31 December 2015	-	301	301

The accompanying notes are an integral part of this Statement of changes in equity.

## **BMG 10 Music Limited**

### **Statement of cash flows Year ended 31 December 2015**

	<b>Year ended 31 December 2015 £'000</b>	<b>Year ended 31 December 2014 £'000</b>
<b>Profit from operations before taxation</b>	180	36
Adjustment for:		
Management fees	200	34
Finance Income	-	2
	<hr/>	<hr/>
Operating profit before movements in working capital	380	72
(Increase) /decrease in receivables	(520)	331
Increase/(decrease) in payables	140	(403)
	<hr/>	<hr/>
Cash utilised by operations	(380)	(72)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	-	-
Cash and cash equivalents at the beginning of the year	-	-
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	-	-
	<hr/> <hr/>	<hr/> <hr/>

# **BMG 10 Music Limited**

## **Notes to the financial statements Year ended 31 December 2015**

### **1. Accounting policies**

BMG 10 Music Limited (the "Company") is a Company incorporated in the United Kingdom.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The company has taken exemption from preparing consolidated financial statements afforded by section 400 of the Companies Act 2006, because it is a wholly owned subsidiary of Bertelsmann SE & Co KGaA which prepares consolidated financial statements which are publicly available (refer to note 11).

#### **Basis of preparation**

The financial statements are presented in pounds sterling. They are prepared on the historical cost basis.

These financial statements have been prepared in accordance with the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards ("IFRS") as issued by the European Union ("EU").

The preparation of financial statements in conformity with IFRS which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on page 2. BMG 10 Music Limited has net current assets of £301,000 at 31 December 2015. The directors have considered the financial resources available along with the future plans for the Company and the support provided by the intermediate holding company BMG Rights Management (UK) Limited when considering the going concern of the Company. After making enquiries, the directors have a reasonable expectation that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The ultimate parent Company has confirmed its continued support of the Company.

#### **Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

# **BMG 10 Music Limited**

## **Notes to the financial statements** **Year ended 31 December 2015**

### **1. Accounting policies (continued)**

#### **Impairment excluding inventories and deferred tax assets**

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in the equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

#### **Calculation of recoverable amount**

The recoverable amount of the Company's receivables earned at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### **Reversal of impairment**

An impairment loss in respect of receivable earned at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **Trade and other receivables**

Trade and other receivables at the statement of financial position date are stated at amortised cost which approximates to cost less impairment losses.

#### **Trade and other payables**

Trade and other payables to group companies include the group cash pooling financing facility with the parent Company in Germany. The facility bears interest at a margin above the 3 month LIBOR market rate. Trade and other payables are stated at amortised cost which approximates to cost.

# **BMG 10 Music Limited**

## **Notes to the financial statements Year ended 31 December 2015**

### **1. Accounting policies (continued)**

#### **Revenue**

Revenue is measured at the fair value of the consideration receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and value added tax.

Revenue from royalty licensing is recognised in accordance with IAS 18. Where revenue streams have a forward visibility revenue is recognised on an accruals basis. If there is no or minimal forward visibility of revenue streams it is not possible to measure the revenue streams reliably until cash is collected.

#### **Music publishing royalties**

Music publishing royalties derived from the inclusion of the Company's copyrights on recorded music products or from performance are recognised when they are earned by the Company from the relevant collection society or record Company. The Company considers that it can most reliably measure such royalties following receipt of cash or a statement.

Where the Company receives advances which are recoupable from future sales or profits, or are otherwise conditional on continued performance of duties by the Company, these are recorded as liabilities. Revenue is recognised as it is earned.

Advance payments to artists are carried forward within other receivables where they relate to proven artists and where it is estimated that sufficient future income will be recouped against those advance payments. The advance payments should be written off if these are not covered by future income. In case of unproven contracts the advance payments should be immediately written off. Any other royalty licensing income is recognised on a cash basis.

#### **Net financing costs**

Net financing costs comprise interest payable and interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

#### **Taxation**

Tax for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.



# BMG 10 Music Limited

## Notes to the financial statements Year ended 31 December 2015

### 1. Accounting policies (continued)

#### Critical accounting judgements and key sources of estimation uncertainty

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

The Company uses estimates to calculate the writer royalties due for the second half of the period for all the royalty receipts and Company used industry standard rates estimate the royalties' accruals.

Writer advances provisions were made during the period based on calculation used across the group.

#### New and amended standards adopted by the company

The following standards have been adopted by the company for the first time for the financial year beginning 1 January 2015:

- *Annual improvements to IFRSs – 2010-2012 Cycle and 2011-2013 Cycle*

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

#### New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the company:

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to EU endorsement.

### 2. Revenue

An analysis of the Company's revenue is as follows:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
UK	1,021	364
	<u>1,021</u>	<u>364</u>

The operations of the Company take place wholly in the United Kingdom. Revenue was derived principally from activities conducted within the United Kingdom. The Company does not have any separable operating segments. All assets used by the Company are held in the United Kingdom.

## BMG 10 Music Limited

### Notes to the financial statements Year ended 31 December 2015

#### 3. Profit from operations before taxation

Profit from operations before taxation has been arrived at after charging:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Net foreign exchange result/ loss	-	1

The audit fee of £7,000 (2014: £7,000) was borne by the intermediate parent Company, BMG Rights Management (UK) Limited.

#### 4. Employee costs and directors' remuneration

The directors received no remuneration from the Company for services during the year (2014: £nil).

The Company did not have any other employees and as a result incurred no staff costs (2014: £nil).

## BMG 10 Music Limited

### Notes to the financial statements Year ended 31 December 2015

#### 5. Taxation

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
<b>Current taxation</b>		
UK corporation – current year	36	8
UK corporation – prior year	-	(8)
<b>Total tax charge</b>	<u>36</u>	<u>-</u>

The tax charge for the year represents amounts payable to fellow UK subsidiaries of the Bertelsmann Group in respect of current year tax losses claimed in the United Kingdom.

The charge for the year can be reconciled to the profit per the Statement of comprehensive income as follows:

#### Tax reconciliation

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Profit from operations before taxation	180	36
Tax using the UK corporation tax rate of 20.25% (2014: 21.50%)	36	8
Effects of:		
UK corporation – prior year	-	(8)
<b>Total tax charge</b>	<u>36</u>	<u>-</u>

The standard rate of corporation tax in the United Kingdom changed from 21% to 20% with effect from 1 April 2015. Accordingly the company's profits / losses are taxed at an effective rate of 20.25%.

During 2015 changes to the UK main corporation tax rate were enacted. The tax rate has fallen to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020.

There are no unrecognised deferred tax assets or liabilities (2014: £nil).

# BMG 10 Music Limited

## Notes to the financial statements Year ended 31 December 2015

### 6. Trade and other receivables

	31 December 2015 £'000	31 December 2014 £'000
<b>Due within one year</b>		
Trade receivables	24	13
Trade and other receivables from group companies	803	494
	<u>827</u>	<u>507</u>

Included in trade debtors are certain amounts relating to writer advances that may not be recovered within one year.

### 7. Trade and other payables

	31 December 2015 £'000	31 December 2014 £'000
<b>Due within one year</b>		
Trade and other payables	216	70
Trade and other payables to group companies	310	280
	<u>526</u>	<u>350</u>

Trade and other payables to group companies include the group cash pooling facility balance with the parent company.

### 8. Share capital

	31 December 2015 £	31 December 2014 £
<b>Issued and fully paid:</b>		
100 (2014: 100) ordinary shares of £1 each	100	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

# BMG 10 Music Limited

## Notes to the financial statements Year ended 31 December 2015

### 9. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

#### (a) Fair values of financial instruments

##### *Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

##### *Trade and other payables*

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

##### *Interest-bearing borrowings*

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the statement of financial position date.

##### *Fair values*

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the statement of financial position are as follows:

	31 December 2015		31 December 2014	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Trade receivables	24	24	13	13
Trade and other receivables from group companies	803	803	494	494
Trade and other payables	(216)	(216)	(70)	(70)
Trade and other payables to group companies	(310)	(310)	(280)	(280)
	<u>301</u>	<u>301</u>	<u>157</u>	<u>157</u>
Unrecognised gains/losses				<u>-</u>

#### (b) Credit risk

##### *Financial risk management*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's principal financial assets are trade receivables which represent the Company's maximum exposure to credit risk in relation to financial assets. The Company bears the bad debt risk on all debtors. The Company's management make assessments on new customers before work is earned out based on their knowledge of the industry and the customer's acceptance of imposed credit terms.

## BMG 10 Music Limited

### Notes to the financial statements Year ended 31 December 2015

#### 9. Financial instruments (continued)

The amounts presented in the statement of financial position are net of allowances for doubtful receivables after taking into consideration the amount of balances covered by the Company's credit insurance policy. These have been estimated by the Company's management based on prior experience and their assessment of the current economic environment.

##### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the statement of financial position date was £24,000 (2014: £13,000) being the total of the carrying amount of trade receivables, shown in the table above.

##### *Financial assets and impairment losses*

The ageing of trade receivables at the statement of financial position date was:

	31 December 2015			31 December 2014		
	Gross trade receivables £'000	Doubtful debt provision £'000	Net trade receivables £'000	Gross trade receivables £'000	Doubtful debt provision £'000	Net trade receivables £'000
Not past due	24	-	24	13	-	13

#### (c) *Liquidity risk*

##### *Financial risk management*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Liquidity is managed by group via the cash pooling facility.

#### (d) *Market risk*

##### *Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

##### *Market risk - Foreign currency risk*

A proportion of sales and purchases are invoiced in foreign currency (Euros) and the Company bears the foreign currency risk on these debtors and creditors.

##### *Sensitivity analysis — Foreign currency risk*

Company did not issue many foreign currency invoices during the year and so exposure to foreign currency risk is minimal.

##### *Market risk – interest rate risk*

The Company's exposure to interest rate risk arises from the fluctuations in the rate of interest charged on cash and cash equivalent balances payable as impacted on by the changes in the Bank of England base rate. The Company utilises a group cash pooling facility, on which interest is charged at variable rates, based on the 3 month LIBOR market rate.

# BMG 10 Music Limited

## Notes to the financial statements Year ended 31 December 2015

### 9. Financial instruments (continued)

#### *Sensitivity analysis – interest rate risk*

A change of one percent in interest rates at the statement of financial position date would have increased the loss by the amounts shown below. This calculation assumes that the change occurred at the statement of financial position date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remains constant and considers the effect of financial instruments with variable interest rates.

At the year end it is estimated that an increase of one percentage rise in the 3 month LIBOR market rate would increase the company's profit before taxation by approximately £5,000 (2014: £2,000).

### 10. Related parties

#### Identity of related parties

The Company's ultimate parent company and group is the international media company Bertelsmann SE & Co. KGaA.

The Company had a related party relationship in the year with subsidiaries of Bertelsmann SE & Co. KGaA, and with its directors and executive officers.

#### Related party transactions

During the year the Company entered into the following transactions with related parties. The transactions were priced on an arm's length basis.

	Sales/ (purchases) of goods £'000	Trade balances receivable/ (payable) £'000		
Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000	31 December 2015 £'000	31 December 2014 £'000	
BMG Rights Management (UK) Ltd	(192)	(36)	175	(275)
BMG Rights Management (ITALY) S.R.L.	-	-	-	(1)
BMG Rights Management GmbH	(8)	-	(5)	-
BMG VM Music France SAS	-	-	-	18
BMG VM Music Limited	283	-	323	472
<b>Total</b>	<b>83</b>	<b>(36)</b>	<b>493</b>	<b>214</b>

### 11. Ultimate parent company and controlling party

The immediate parent company is BMG VM Music Limited, a company incorporated in the United Kingdom. The ultimate parent company is Bertelsmann SE & Co. KGaA.

The results of the Company are included in the consolidated financial statements of Bertelsmann SE & Co. KGaA which is registered at Carl-Bertelsmann-Strasse 270, 33311 Gütersloh, Germany. These consolidated financial statements are publicly available.

No other group financial statements include the results of the company.