

Chrysalis Music Publishing Limited

Directors' report and financial statements

31 August 2003

Registered number 4126652



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Directors' report

The directors present their annual report and the audited financial statements for year ended 31 August 2003.

Principal activities and future developments

The principal activity of the company is music publishing. The directors do not anticipate any change in this activity over the coming year.

Results and dividends

The retained profit for the year and transfer to reserves (2002: retained loss and transfer from reserves) are set out in the profit and loss account on page 4.

The directors recommend the payment of a dividend of £250,000 per issued share for the year under review (2002: £175,000).

Directors and directors' interests

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

NRA Butterfield
NR Fenton
RJH Lascelles
W Jackson
SPV Management Limited

None of the directors who held office at the end of the year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the year.

At 31 August 2003, NRA Butterfield was also a director of Chrysalis Group PLC, the ultimate parent company, and his interests in the share capital of that company are set out in the directors' report of that company.

At 31 August 2003 and 2002 NR Fenton held 6,855 ordinary shares of 2p each in Chrysalis Group PLC and had an interest in a further 6,855 ordinary shares of 2p each held by Mrs Fenton.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



CR Potterell
Secretary

The Chrysalis Building
Bramley Road
London
W10 6SP

07/04/ 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those 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 accounting standards 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Report of the Independent Auditor to the members of Chrysalis Music Publishing Limited

We have audited the financial statements on pages 4 to 10.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

7 April 2004

Profit and loss account

for the year ended 31 August 2003

	<i>Note</i>	Year ended 31 August 2003 £	Year ended 31 August 2002 £
Turnover	1,2	2,546,032	2,662,608
Cost of sales		(1,824,000)	(2,116,000)
Gross profit		722,032	546,608
Administrative expenses		(1,484)	(1,460)
Profit on ordinary activities before taxation	3	720,548	545,148
Tax on profit on ordinary activities	5	(216,164)	(240,408)
Profit on ordinary activities after taxation		504,384	304,740
Dividends	6	(500,000)	(350,000)
Retained profit/(loss) for the financial year		4,384	(45,260)
Accumulated profit brought forward		210,954	256,214
Accumulated profit carried forward		215,338	210,954

Amounts relating to turnover and operating profit in the current and prior years derive from continuing activities.

There is no difference between the historical cost profit and that reported in the profit and loss account.

The notes on pages 7 to 10 form part of these financial statements.

Statement of total recognised gains and losses

for the year ended 31 August 2003

There were no recognised gains or losses in the current or prior year other than the retained profit for these years.

Reconciliation of movements in shareholders' funds

for the year ended 31 August 2003

	2003 £	2002 £
Shareholders' funds brought forward	210,956	256,216
Profit for the year	504,384	304,740
Dividends	(500,000)	(350,000)
	<hr/>	<hr/>
Shareholders' funds carried forward	215,340	210,956
	<hr/>	<hr/>

Balance sheet

at 31 August 2003

	Note	2003 £	2002 £
Current assets			
Debtors	7	1,464,002	1,325,002
		<hr/>	<hr/>
Creditors: amounts falling			
Due within one year	8	(1,248,662)	(1,114,046)
		<hr/>	<hr/>
Net assets		215,340	210,956
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account		215,338	210,954
		<hr/>	<hr/>
Shareholders' funds – equity		215,340	210,956
		<hr/>	<hr/>

These financial statements were approved by the Board of directors on 07/04/2004 and were signed on its behalf by:



N Fenton
Director

The notes on pages 7 to 10 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The following policies have been consistently applied.

Turnover

Turnover represents royalties receivable. It is the company's policy only to bring into account record royalties notified to the company by the accounting date.

Royalties

Royalties received are accounted for on a notified basis. Royalties payable are expensed on an accruals basis except that music publishing royalty advances are carried forward and recognised as an asset where such advances relate to proven artists or songwriters and where it is estimated that sufficient future royalties will be earned for recoupment of these advances.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are taken into account in arriving at the profit on ordinary activities.

Taxation

The charge for taxation is based on the profit for the period 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.

Chrysalis Group PLC entities are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. There is an agreement between members of the group that such losses will be purchased and paid for by the recipient company. Where there is reasonable certainty that taxable losses can be utilised the group relief receivable is included in the taxation charge or credit for the year.

Notes (continued)

2 Analysis of turnover by geographical destination

All turnover originated in the United Kingdom.

3 Profit on ordinary activities before taxation

	2003 £	2002 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditor's remuneration:		
Audit	550	560
	<u>550</u>	<u>560</u>

4 Directors' and employees' remuneration

The directors received no remuneration from the company for services during the period (2002: £nil). NRA Butterfield received remuneration from Chrysalis Group PLC, which is disclosed in the financial statements of that company.

The company did not have any other employees and as a result incurred no staff costs (2002: £nil).

5 Taxation

Analysis of charge in the year

	£	2003 £	£	2002 £
<i>UK corporation tax</i>				
Current tax on income for the year	216,164		163,544	
Adjustments in respect of previous periods	-		76,864	
	<u>216,164</u>		<u>240,408</u>	
Tax on profit on ordinary activities		<u>216,164</u>		<u>240,408</u>

Factors affecting the tax charge for the current year

The tax charge for the year is the standard rate of corporation tax in the UK at 30% (2002: 30%). The differences in 2002 are explained below.

	2003 £	2002 £
Profit on ordinary activities before tax	<u>720,548</u>	<u>545,148</u>
Current tax at 30% (2002: 30%)	216,164	163,544
<i>Effects of:</i>		
Adjustments in respect of prior periods	-	76,864
	<u>216,164</u>	<u>240,408</u>
Current tax charge for the year	<u>216,164</u>	<u>240,408</u>

Notes (continued)

6 Dividends

	2003 £	2002 £
Ordinary shares £250,000 per issued share (2002: £175,000).	<u>500,000</u>	<u>350,000</u>

7 Debtors: due within one year

	2003 £	2002 £
Artist advances	1,464,000	1,325,000
Unpaid share capital	2	2
	<u>1,464,002</u>	<u>1,325,002</u>

8 Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	544,000	676,000
Amounts owed to group undertakings	703,082	436,886
Accruals and deferred income	1,580	1,160
	<u>1,248,662</u>	<u>1,114,046</u>

9 Deferred tax

Deferred tax has not been provided for at 31 August 2003 or 31 August 2002 on the basis that there are no timing differences at either date.

10 Called up share capital

	2003 £	2002 £
<i>Equity</i>		
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted and called up</i>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

Notes *(continued)*

11 Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 (revised 1996) to prepare a cash flow statement on the grounds that its parent undertaking, Chrysalis Group PLC, includes the company in its own published consolidated financial statements.

12 Related party transactions

As the company is a wholly owned subsidiary of Chrysalis Group PLC, the company has taken advantage of the exemption contained in FRS 8 Related Party Disclosures and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Chrysalis Group PLC, within which the company is included, can be obtained from the address given in note 13. There were no other related party transactions.

13 Immediate and ultimate parent company

The immediate parent company is Chrysalis Music Limited, which is registered in England and Wales.

The ultimate parent company is Chrysalis Group PLC, which is registered in England and Wales, for which consolidated financial statements are prepared. The consolidated financial statements of this company may be obtained from The Secretary, Chrysalis Group PLC, The Chrysalis Building, Bramley Road, London W10 6SP.