

Hermusic Limited

Directors' Report and Financial Statements

For the Year Ended 31 December 2008

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Hermusic Limited

Officers and Professional Advisers

The board of directors	H B Lisberg K Hopwood D J Betesh G K Moot C W Booth
Company secretary	A G Bebawi
Registered office	27 Wrights Lane London W8 5SW
Auditor	KPMG LLP Chartered Accountants Registered Auditors PO Box 695 8 Salisbury Square London EC4Y 8BB
Solicitors	Mayer Brown International LLP 201 Bishopsgate London EC2M3AF

Hermusic Limited

The Directors' Report

Year ended 31 December 2008

The directors present their report and the financial statements of Hermusic Limited ("the company") for the year ended 31 December 2008. The comparatives are for the year ended 31 December 2007.

Principal activities and business review

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

During the financial year, the company performed poorly, with turnover decreasing since last year. Turnover was down 40% on last year although the operating result was the same as 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.

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 show a consistent gross profit margin, but there are none 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 38% 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 profit for the year amounted to £nil (2007:£nil). The directors have not recommended a dividend (2007:£nil).

Directors

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

Hermusic Limited

The Directors' Report *(continued)*

Year ended 31 December 2008

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).

Donations

Grants and charitable donations made during the year amounted to £nil (2007:£nil). There were no political contributions made during the year (2007:£nil).

Auditors and disclosure of information to auditors

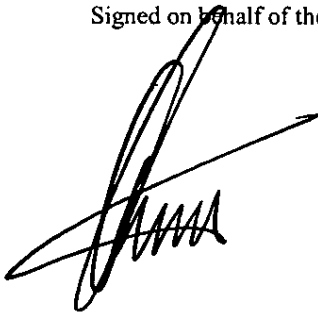
In the case of each of the persons who are directors at the time when the report is approved under Companies Act 1985 section 234A:

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.

Pursuant to section 386 of the Companies Act 1985, a resolution is to be put to the forthcoming Annual General Meeting which, if passed, would result in the company not being required to appoint its auditors annually. KPMG LLP would then continue as the company's auditors.

Signed on behalf of the directors



Approved by the directors on 29 October 2009

Hermusic Limited

Statement of Directors' Responsibilities

Year ended 31 December 2008

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 the directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK 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;
- state whether applicable UK 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 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.

Independent Auditors' Report to the Shareholders of Hermusic Limited

Year ended 31 December 2008

We have audited the financial statements of Hermusic Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

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.

**Independent Auditors' Report to the Shareholders of
Hermusic Limited** *(continued)*

Year ended 31 December 2008

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its result 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

29 October 2009

Hermusic Limited

Profit and Loss Account

Year ended 31 December 2008

	Note	2008 £	2007 £
Turnover	2	28,058	46,676
Cost of sales		(3,544)	(7,732)
Gross profit		24,514	38,944
Distribution costs		(14,091)	(22,754)
Administrative expenses		(10,437)	(16,210)
Operating loss	3	(14)	(20)
Interest receivable and similar income	6	14	20
Profit on ordinary activities before taxation		—	—
Tax on profit on ordinary activities	7	—	—
Profit for the financial year		—	—

The notes on pages 9 to 11 form part of these financial statements.

All of the activities of the company are classed as continuing.

The company has no recognised gains and losses other than those included in the Profit and Loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

A note of historical cost profit and loss has not been included as part of the financial statements since the results disclosed are prepared on an unmodified historical cost basis.

Hermusic Limited

Balance Sheet

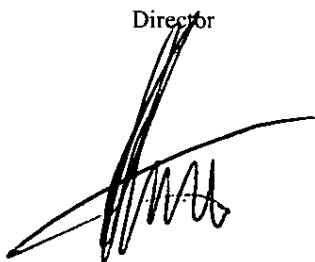
At 31 December 2008

	Note	2008 £	2007 £
Current assets			
Stocks	8	1	1
Debtors	9	14,431	16,585
Cash in hand		—	6,480
		<u>14,432</u>	<u>23,066</u>
Creditors: amounts falling due within one year	10	14,165	22,799
		<u>267</u>	<u>267</u>
Net current assets		<u>267</u>	<u>267</u>
Total assets less current liabilities		<u>267</u>	<u>267</u>
Capital and reserves			
Called-up share capital	11	100	100
Profit and loss account	12	167	167
		<u>267</u>	<u>267</u>
Shareholders' funds	12	<u>267</u>	<u>267</u>

The notes on pages 9 to 11 form part of these financial statements.

These financial statements were approved by the directors and authorised for issue on 29 October '09, and are signed on their behalf by:

Director



Hermusic Limited

Notes to the Financial Statements

Year ended 31 December 2008

1. Accounting policies

Basis of accounting

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

Cashflow statement

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

Turnover

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

Turnover consists of income from copyrights and is recorded when reported to the company by the relevant source. No reliable basis for accruing unreported revenue is available. 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.

Stocks

Stocks, which consist entirely of sheet music, are included in the balance sheet at the lower of cost and net realisable value.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. All differences are taken to the profit and loss account.

Debtors - royalty advances

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

Hermusic Limited

Notes to the Financial Statements

Year ended 31 December 2008

2. Turnover

Turnover is attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2008 £	2007 £
United Kingdom	22,956	41,375
Rest of Europe	1,714	3,204
Rest of the world	3,388	2,097
	<u>28,058</u>	<u>46,676</u>

3. Loss before tax on ordinary activities

2008 £	2007 £
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Operating loss on ordinary activities before tax is stated after charging:

Auditors' remuneration:

- audit of these financial statements

<u>1,000</u>	<u>1,000</u>
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4. Directors' emoluments

The directors received no remuneration for their services to the company during the year (2007: £nil).

5. Staff costs

The company had no employees (2007: none).

6. Interest receivable and similar income

2008 £	2007 £
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Interest receivable	<u>14</u>	<u>20</u>
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7. Tax on profit/(loss) on ordinary activities

At December 2008 the amount of accumulated tax losses available for offset against future taxable profits was £49 (2007: £49)

8. Stocks

2008 £	2007 £
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Stock	<u>1</u>	<u>1</u>
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9. Debtors

2008 £	2007 £
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Amounts due from related parties	7,981	16,585
Other debtors	6,450	—
	<u>14,431</u>	<u>16,585</u>

Hermusic Limited

Notes to the Financial Statements

Year ended 31 December 2008

10. Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	74	46
Other creditors	14,091	22,753
	<u>14,165</u>	<u>22,799</u>

11. Share capital

Authorised share capital:

	2008 £	2007 £
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2008 No	£	2007 No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

12. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 31 December 2007	<u>100</u>	<u>167</u>	<u>267</u>
At 31 December 2008	<u>100</u>	<u>167</u>	<u>267</u>

13. Related party transactions

The company paid management fees amounting to £9,394 (2007: £15,168) during the year to EMI Music Publishing Limited, a member of the EMI group. An amount of £7,981 was owed by EMI Music Publishing Limited at 31 December 2008 (2007: £16,585).

14. Ultimate parent company

The company is 40% owned by B Feldman & Co, whose ultimate parent is TFCP Holdings Limited, a company incorporated and registered in Guernsey, 20% by Kennedy Street Enterprises Limited, 29% by FRIMP Limited and 11% by Herman Hermits Ltd, all companies incorporated and registered in England and Wales.