

Company registration number  
**01115474**

**Rock Music Company Limited**

**Reports and Financial Statements**

Period from 1 July 2014 to 31 December 2014

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**Rock Music Company Limited**  
**Reports and financial statements 2014**  
**Contents**

	<b>Page</b>
Officers and professional advisers	1
Strategic report	2
Directors' report	4
Statement of directors' responsibilities	6
Independent auditors' report	7
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13

## **Rock Music Company Limited**

### **Reports and financial statements 2014**

#### **Officers and professional advisers**

##### **Directors**

Peter Stack

Mark Ranyard (appointed 31 October 2014)

Hartwig Masuch (appointed 31 October 2014)

Maximilian Dressendoerfer (appointed 31 October 2014)

John Dobinson (appointed 31 October 2014)

Alexi Cory-Smith (appointed 31 October 2014)

##### **Secretary**

Mark Ranyard

##### **Independent auditors**

PricewaterhouseCoopers LLP

1 Embankment Place

London

WC2N 6RH

##### **Bankers**

Barclays Bank plc

Technology, Media and Telecoms

7th Floor, United Kingdom House

180 Oxford Street

London

WC1D 1EA

##### **Solicitors**

Simons Muirhead & Burton

8-9 Frith Street

London

W1D 3JB

##### **Registered office**

8th Floor

5 Merchant Square

London

W2 1AS

## **Rock Music Company Limited**

### **Strategic report**

The Directors present their strategic report on the affairs of Rock Music Company Limited (the Company) for the 6 months ended 31 December 2014.

#### **Business review**

On 31 October 2014 Rock Music Company Limited was sold as part of a group of Union Square Music companies to BMG Rights Management (UK) Ltd. Following the acquisition the accounting reference date was changed from 30 June to 31 December. These financial statements therefore relate to the 6 month period from 1 July 2014 to 31 December 2014.

Rock Music Company Limited is a United Kingdom subsidiary of BMG Rights Management (UK) Ltd ("BMG UK"). Rock Music Company Limited owns rights to musical compositions and exploits and markets these compositions.

#### **Strategy**

Rock Music Company Limited is part of an international group of companies focused on the management of music rights. The Company will continue to exploit its copyrights in conjunction with other members of the BMG group.

#### **Key performance indicators**

The directors monitor the Company's performance in a number of ways including key performance indicators such as reported revenue and operating profit (Earnings Before Interest and Taxes; "EBIT").

#### **Business performance 6 months to December 2014**

The Company's revenue in the period was £nil (year to 30 June 2014 - £nil). The Company's operating loss for the period was £19,980 (year to 30 June 2014 - £39,963). The loss arose from a change of accounting policy with regards to the treatment of copyrights in musical compositions owned by the Company and is more fully explained in note 1.

#### **Principal risks and uncertainties facing the business**

There are a number of market and business risks that could affect Rock Music Company Limited. We set out below the Company's view of the main risks which could, should any actually materialise, materially and adversely affect the Company's business, financial condition and return to stakeholders. Further risks and uncertainties which are not presently known to the directors at the date of this document, or that the directors currently deem less significant, may also have an adverse effect on the business, financial condition or results of the Company.

#### **Market risks**

##### *Global economic outlook*

Rock Music Company Limited's copyrights earn income from worldwide sources and this is susceptible to changes in the global economy. Failure to adjust to changes in the global economy could have a material adverse effect on the company's business. Rock Music Company Limited is part of a broader group of rights administration companies which are actively building a business presence in the European, US and UK territories as a strategy to diversify this risk.

## Rock Music Company Limited

### Strategic report (continued)

#### *Music industry growth*

The music industry is experiencing a period of ongoing financial challenge due to the changing means by which consumers choose to access music, retail piracy, industrial piracy and a corresponding decline in the sale of physical product, which may not be offset completely by new digital and internet-based revenue streams.

Intense competition in the music industry could result in higher artist and writer acquisition costs or failure to attract and retain key talent. Such competition may affect customer choices and options available to them for music publishing and administration contracts. These changes could materially and adversely affect the business of Rock Music Company Limited.

#### *Music industry regulatory and business legal risk*

The music publishing industry is regulated, with mechanical and performance royalty rates set by industry bodies, over which the company has no control. Any significant change to the payment structures operated within the music industry or any decrease in current mechanical or performance royalty rates could have a material adverse effect on the Company's business. Also, future copyright royalty rate arbitration and other industry wide regulations can change the relationships between record labels, artists and music publishers/writers. Such change in regulations could materially and adversely affect the business of the Company. Copyright royalties are either collected or controlled by third parties, such as collection societies, ceding control over royalty collections to such entities. This diminishes control and might result in lower revenues, if collection fees were revised upwards or collection scope was narrowed, thus affecting the business of the Company.

### **Business risks**

#### *Dependency on shareholder affiliates*

Emerging channels for music distribution could significantly change the operational setting/configuration and financial performance/returns in the business. Rock Music Company Limited relies on a number of third party business partners and shareholder affiliates to operate successfully. These include sub-Publishers, who support the Company in international rights management and license income collections.

### **Financial risks**

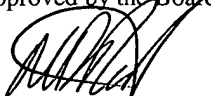
#### *Exchange rate fluctuation risk*

The Company transacts and accounts in local currency, which is converted into the Group reporting currency, creating an exposure to movements in foreign exchange rates.

#### *Interest rate fluctuation risk*

The Company is financed through intercompany borrowings which bear interest at short-term LIBOR rates plus a margin. The Company is therefore exposed to fluctuations in interest rates. These exposures are not hedged.

Approved by the Board of Directors on 27 May 2015 and signed on its behalf by:



Mark Ranyard  
Director

## **Rock Music Company Limited**

### **Directors' report**

The directors present their Directors' report on the affairs of Rock Music Company Limited (the Company) together with the financial statements for the period ended 31 December 2014.

#### **Principal activities**

The principal business of the Company during the period ended 31 December 2014 was the ownership and exploitation of rights in musical compositions. 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.

#### **UK accounting standards**

These financial statements reflect the adoption of IFRS on 1 July 2014. As a result, comparative figures for the year ended 30 June 2014 have been re-stated to reflect the new accounting standards. Included within note 1 is a reconciliation of the year ended 30 June 2014 profit and loss and equity as previously stated under UK GAAP to the disclosures under IFRS.

#### **Directors**

The directors of Rock Music Company Limited who were in office during the period were as follows:

Peter Stack  
Mark Ranyard (appointed 31 October 2014)  
Hartwig Masuch (appointed 31 October 2014)  
Maximilian Dressendoerfer (appointed 31 October 2014)  
John Dobinson (appointed 31 October 2014)  
Alexi Cory-Smith (appointed 31 October 2014)  
Kevin Donovan (resigned 31 October 2014)  
Martin Costello (resigned 31 October 2014)

#### **Dividends**

The directors do not recommend a dividend (year to 30 June 2014 - £nil).

#### **Directors and officers insurance**

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

#### **Employees**

The company had no employees in the current period or prior year.

#### **Political and charitable donations**

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

## **Rock Music Company Limited**

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

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

Each of the persons who is 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.

#### **Independent auditors**

Baker Tilly resigned as auditors on 12 December 2014. PricewaterhouseCoopers LLP were subsequently appointed.

Approved by the Board of Directors on 27 May 2015 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Mark Ranyard', written over a horizontal line.

Mark Ranyard  
Director

## **Rock Music Company 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 period. 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.

## **Rock Music Company Limited**

### **Independent auditors' report to the members of Rock Music Company Limited**

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

##### **Our opinion**

In our opinion, Rock Music Company 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 2014 and of its loss and cash flows for the period 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**

Rock Music Company Limited's financial statements comprise:

- the Statement of financial position as at 31 December 2014;
- the Statement of comprehensive income for the period then ended;
- the Statement of changes in equity for the period then ended; and
- the Statement of cash flows for the period then ended;
- 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 period 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.

#### **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 6, 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.

## **Rock Music Company Limited**

### **Independent auditors' report to the members of Rock Music Company Limited (continued)**

#### **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
- 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 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 Reports and Financial Statements 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  
27 May 2015

# Rock Music Company Limited

## Statement of comprehensive income Period ended 31 December 2014

	Notes	Period from 1 July to 31 December 2014 £	Restated Year ended 30 June 2014 (Note 1) £
Administrative expenses		(19,980)	(39,963)
<b>Loss from operations</b>	2	<u>(19,980)</u>	<u>(39,963)</u>
Interest payable	4	(7)	-
<b>Loss before taxation</b>		<u>(19,987)</u>	<u>(39,963)</u>
Taxation	5	4,197	7,993
<b>Loss/result for the period attributable to the equity shareholder</b>		<u><u>(15,790)</u></u>	<u><u>(31,970)</u></u>

The accompanying notes are an integral part of this Statement of comprehensive income for the period ended 31 December 2014 and the company did not have any items of other comprehensive income. All results relate to continuing operations.

# Rock Music Company Limited

## Statement of financial position As at 31 December 2014

	Notes	31 December 2014	Restated 30 June 2014 (Note 1)
		£	£
<b>Non-current assets</b>			
Intangible assets	6	720,014	739,994
<b>Total non-current assets</b>		<u>720,014</u>	<u>739,994</u>
<b>Current assets</b>			
Corporation tax receivable	5	12,190	7,993
Cash and cash equivalents		5,505	963
<b>Total current assets</b>		<u>17,695</u>	<u>8,956</u>
<b>Total assets</b>		<u>737,709</u>	<u>748,950</u>
<b>Equity</b>			
Share capital	9	100	100
Retained earnings		732,824	748,614
<b>Total shareholder's equity</b>		<u>732,924</u>	<u>748,714</u>
<b>Non-current liabilities</b>			
Loans and borrowings	8	4,785	146
<b>Total non-current liabilities</b>		<u>4,785</u>	<u>146</u>
<b>Current liabilities</b>			
Trade and other payables	7	-	90
<b>Total current liabilities</b>		<u>-</u>	<u>90</u>
<b>Total equity and liabilities</b>		<u>737,709</u>	<u>748,950</u>

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

The financial statements of Rock Music Company Limited, registered number 01115474, were approved by the Board of Directors on 27 May 2015 and are signed on its behalf by:



Mark Ranyard  
Director

# **Rock Music Company Limited**

## **Statement of changes in equity** **Period ended 31 December 2014**

	<b>Share capital</b>	<b>Accumulated losses/ retained earnings</b>	<b>Total</b>
	£	£	£
As at 1 July 2013	100	780,584	780,684
Loss and total comprehensive income for the year (restated - see Note 1)	-	(31,970)	(31,970)
As at 1 July 2014	100	748,614	748,714
Loss and total comprehensive income for the period	-	(15,790)	(15,790)
Revaluation of music copyrights	-	-	-
As at 31 December 2014	100	732,824	732,924

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

# Rock Music Company Limited

## Statement of cash flows Period ended 31 December 2014

		Period from 1 July to 31 December 2014	Restated Year ended 30 June 2014 (Note 1)
	Note	£	£
<b>Cash flows from operating activities</b>			
Loss/result from operations		(19,980)	(39,963)
Amortisation		19,980	39,963
Taxation		4,197	(2,831)
<b>Operating loss/result before movements in working capital</b>		<u>4,197</u>	<u>(2,831)</u>
Decrease in trade and other payables		(90)	(49,023)
<b>Net cash used in operating activities</b>		<u>(90)</u>	<u>(51,854)</u>
<b>Cash flows from investing activities</b>			
Interest paid	4	<u>(7)</u>	<u>-</u>
<b>Net cash used in investing activities</b>		<u>(7)</u>	<u>-</u>
Increase in borrowings	8	<u>4,639</u>	<u>146</u>
<b>Net cash from financing activities</b>		<u>4,639</u>	<u>146</u>
<b>Net increase/( decrease) in cash and cash equivalents</b>		4,542	(51,708)
Cash and cash equivalents at the beginning of the period/year		<u>963</u>	<u>52,671</u>
<b>Cash and cash equivalents at the end of the period/year</b>		<u><u>5,505</u></u>	<u><u>963</u></u>

## Rock Music Company Limited

### Notes to the financial statements Period ended 31 December 2014

#### 1 Accounting policies

Rock Music Company 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/years presented in these financial statements.

##### *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 Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards (“IFRS”) as issued by the European Union (“EU”).

These financial statements represent the first annual financial statements of the Company prepared in accordance with IFRS as issued by the EU. The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was 1 July 2014.

The preparation of financial statements in conformity with IFRS 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 ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The transition to IFRS has resulted in an accounting policy change compared to those applied previously. Note 1 to the financial statements below describes the difference between the retained earnings and total comprehensive income presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with IFRS for the reporting period ended at 30 June 2014.

##### *Measurement convention*

The financial statements are prepared on the historical cost basis except financial instruments classified as fair value through the profit or loss. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

##### *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 and Directors’ report on pages 2 to 5. 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, Bertelsmann 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.

## **Rock Music Company Limited**

### **Notes to the financial statements Period ended 31 December 2014**

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

##### ***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.

##### ***Intangible assets***

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful lives are as follows:

Music copyrights	20 years
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##### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances.

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

Trade and other payables are stated at amortised cost which approximates to cost.

##### ***Loan receivables and payables***

Long term loans are measured at fair value net of transaction costs.

##### ***Taxation***

Tax on the profit for the year 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 years.

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.

# Rock Music Company Limited

## Notes to the financial statements Period ended 31 December 2014

### 1 Accounting policies (continued)

#### *Transition to IFRS*

These financial statements for the year ended 31 December 2014 are the first financial statements of Rock Music Company Limited that comply with IFRS. The date of transition to IFRS is 1 July 2014. The transition to IFRS has resulted in a small number of changes in accounting policies compared to those used previously. The following note describes the differences between intangible assets, equity and profit and loss presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with IFRS for the reporting period ended 30 June 2014 (ie. comparative information), as well as equity presented in the opening statement of financial position (ie. at 1 July 2013). It also describes all the required changes in accounting policies made on first-time adoption of IFRS.

#### *Reconciliation of intangible assets*

	At 1 July 2013 £	At 30 June 2014 £
<b>Cost</b>		
As previously stated	-	-
Fair value adjustment on transition to IFRS	799,937	799,937
Cost (as restated)	<u>799,937</u>	<u>799,937</u>

#### **Accumulated amortisation**

As previously stated	-	-
Amortisation adjustment on transition to IFRS	19,980	59,943
Accumulated amortisation (as restated)	<u>19,980</u>	<u>59,943</u>

#### **Net book value**

As previously stated	-	-
Fair value adjustment on transition to IFRS	779,957	739,994
Net book value (as restated)	<u>779,957</u>	<u>739,994</u>

#### *Reconciliation of equity*

	At 1 July 2013 £	At 30 June 2014 £
<b>Capital and reserves</b>		
As previously stated	727	727
Fair value adjustment on transition to IFRS	779,957	779,957
Amortisation adjustment on transition to IFRS	-	(39,963)
Taxation adjustment on transition to IFRS	-	7,993
Capital and reserves (as restated)	<u>780,684</u>	<u>748,714</u>

#### *Reconciliation of current tax receivable*

	At 30 June 2014 £
<b>Current tax receivable</b>	
As previously stated	-
Taxation adjustment on transition to IFRS	7,993
Current tax receivable (as restated)	<u>7,993</u>

	Year ended 30 June 2014 £
<b>Reconciliation of profit and loss for the year</b>	
Result for the year as previously stated	-
Amortisation adjustment on transition to IFRS	(39,963)
Taxation adjustment on transition to IFRS	7,993
Loss for the year (as restated)	<u>(31,970)</u>

## Rock Music Company Limited

### Notes to the financial statements Period ended 31 December 2014

#### 1 Accounting policies (continued)

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

There are no critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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

The following standards have been adopted by the company for the first time for the financial period beginning 1 July 2014, but do not have a material impact on the company:

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.

##### *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 2014, 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 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement.

## Rock Music Company Limited

### Notes to the financial statements Period ended 31 December 2014

#### 1 Accounting policies (continued)

##### *New standards and interpretations not yet adopted (continued)*

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 Loss/result from operations

Period from 1 July to 31 December 2014	Year ended 30 June 2014
£	£

This is arrived at after charging:

Amortisation of copyrights	19,980	39,963
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The audit fee of £4,000 was borne by the intermediate parent company, BMG Rights Management (UK) Limited.

#### 3 Employee costs and directors' remuneration

The directors received no remuneration from the Company for services during the period (year to 30 June 2014 - £nil).

The Company did not have any employees and as a result incurred no staff costs (year to 30 June 2014 - £nil).

#### 4 Interest payable

Period from 1 July to 31 December 2014	Year ended 30 June 2014
£	£

Loans payable to group companies	7	-
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#### 5 Taxation

Period from 1 July to 31 December 2014	Year ended 30 June 2014
£	£

##### Analysis of credit in period/year

Current period/year tax credit	(4,197)	(7,993)
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<b>Total tax credit</b>	<b>(4,197)</b>	<b>(7,993)</b>
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##### Factors affecting tax charge for period/year

The credit for the period/year can be reconciled to the loss per the statement of comprehensive income as follows:

	Period from 1 July to 31 December 2014	Year ended 30 June 2014
	£	£
Loss/result before taxation	(19,987)	(39,963)
Effective rate of corporation tax in the UK	21.0%	20.0%
	£	£
Loss before taxation multiplied by the effective rate of corporation tax	(4,197)	(7,993)
<b>Total tax expense</b>	<b>(4,197)</b>	<b>(7,993)</b>

There are no unrecognised deferred tax assets or liabilities (30 June 2014 - £nil).

# Rock Music Company Limited

## Notes to the financial statements Period ended 31 December 2014

<b>6 Intangible assets</b>	<b>Music copyrights</b>	
	£	
<b>Cost</b>		
At 1 July 2014		799,937
At 31 December 2014		799,937
<b>Accumulated amortisation</b>		
At 1 July 2014		59,943
Provided during the period		19,980
At 31 December 2014		79,923
<b>Net book value</b>		
At 31 December 2014		720,014
At 30 June 2014		739,994
<b>7 Trade and other payables</b>	<b>31 December 2014</b>	<b>30 June 2014</b>
	£	£
<b>Due within one year</b>		
Other payables	-	90
	-	90
<b>8 Loans and borrowings</b>	<b>31 December 2014</b>	<b>30 June 2014</b>
	£	£
Loans and borrowings payable to group companies	4,785	146
Long term loans are interest bearing and have no fixed repayment terms.		
<b>9 Share capital</b>	<b>31 December 2014</b>	<b>30 June 2014</b>
	£	£
Issued and fully paid:		
100 (30 June 2014: 100) ordinary shares of £1 each	100	100

## Rock Music Company Limited

### Notes to the financial statements Period ended 31 December 2014

#### 10 Financial instruments

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

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

###### 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.

###### Fair values

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.

	31 December 2014		30 June 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	£	£	£	£
Loans payable to group companies	(4,785)	(4,785)	(146)	(146)
Corporation tax receivable	12,190	12,190	7,993	7,993
Other payables	-	-	(90)	(90)
	<u>7,405</u>	<u>7,405</u>	<u>7,757</u>	<u>7,757</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.

###### Exposure to credit risk

The Company has no financial assets and therefore has no credit risk.

##### (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.

##### (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

The Company has no exposure to foreign currency risk.

###### Sensitivity analysis - foreign currency risk

The Company has no exposure to foreign currency risk.

###### 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 loan facility, on which interest is charged at variable rates, based on the 3 month LIBOR market rate.

# Rock Music Company Limited

## Notes to the financial statements Period ended 31 December 2014

### 10 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 profit 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 decrease the company's profit before taxation by approximately £8.

### 12 Related party transactions

During the period/year the Company entered into the following transactions with related parties. The transactions were priced on an arms length basis:

	Loan balances payable	
	31 December 2014	30 June 2014
	£	£
Union Square Music Songs Limited	<u>(4,785)</u>	<u>(146)</u>

	Sales/(purchases)	
	Period from 1 July to	Year ended
	31 December 2014	30 June 2014
	£	£
Union Square Music Songs Limited	<u>(7)</u>	<u>-</u>
	<u>(7)</u>	<u>-</u>

### 13 Ultimate parent undertaking and controlling parties

The Company's immediate parent company is Union Square Music Songs Ltd, a company incorporated in the United Kingdom. The Company's 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.