

Music House (International) Limited
Directors' Report and Financial Statements
For the Year Ended 31 March 2012

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Music House (International) Limited

Financial Statements

Year ended 31 March 2012

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Music House (International) Limited

Officers and Professional Advisers

The board of directors	J C Channon (Resigned 9 September 2011) F Crimmins (Appointed 29 June 2012) G Moot (Resigned 29 June 2012) D Johnson (Appointed 29 June 2012) R C Faxon (Resigned 9 September 2011) C Palmer (Resigned 29 June 2012)
Company secretary	A G Bebawi & TMF Corporate Administration Services Limited
Registered office	30 Golden Square London United Kingdom W1F 9LD
Auditor	KPMG LLP Chartered Accountants & Statutory Auditor 15 Canada Square London E14 5GL
Solicitors	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF

Music House (International) Limited

The Directors' Report

Year ended 31 March 2012

The directors present their report and the financial statements of the company for the year ended 31 March 2012
The comparatives are for the year ended 31 March 2011

Principal activities and business review

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

During the financial year, the company performed well, with turnover up 67% on prior year and operating result up 53%.

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 and the direct costs of production.

The company employs no staff and has no separate facilities or overheads, except for those recharged for services rendered by other companies in the EMI Music Publishing group.

Key performance indicators are designed to indicate how the company has performed on key ratios, and the company uses NPS margin and operating margin as the key performance indicators which are most appropriate. The NPS and operating margins were consistent with prior year.

There are no KPIs specifically relating to environmental and employee issues as the company has no employees or separate facilities. It is not possible to obtain meaningful market share information for a company of this size, so we do not consider a KPI appropriate.

Going Concern

As set out in more detail in note 1 the directors have prepared financial projections for a period of more than twelve months from the date of approval of these financial statements. After considering these financial projections, the directors have concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future and as a result have prepared these financial statements on a going concern basis.

Subsequent events

On 11 November 2011, Citigroup signed definitive agreements to sell the Group's Recorded Music business to Universal Music Group and Music Publishing business to an investor Group that comprised primarily of Sony Corporation of America, the Estate of Michael Jackson, Mubadala Development Company PJSC, Jynwel Capital Limited, and the Blackstone Group's GSO Capital Partners LP (the 'Investor Group'). The agreements did not take effect until clearance was received from various Competition authorities and other conditions were met. The Music Publishing business sale completed on 29 June 2012.

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 9% year on year according to data from the IFPI. Whilst we believe that new digital products and services will drive a return to overall industry growth, there are no assurances of the timing or extent of any improvement. This may have a negative impact, as the company generates a significant portion of its revenues from mechanical royalties, primarily from the sale of music in CD and other formats. We are dependant on identifying, signing and retaining talented songwriters whose new releases are well received and whose music will continue to generate revenues for years to come. Competition for such talent is intense and our financial results would be adversely affected if we fail to identify, sign and retain songwriters. External bodies such as local third-party collection societies, have a significant influence on some of our revenues. Mechanical and Performance rates as well as distribution rules are usually set by performing rights societies through board approval and as such may result in the setting of rates at levels lower than we would wish and may therefore adversely affect our ability to increase profitability.

Results and dividends

The profit for the year amounted to £767,334 (2011: £500,352). The directors have not recommended a dividend (2011: £nil).

Music House (International) Limited

The Directors' Report *(continued)*

Year ended 31 March 2012

Directors

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

Qualifying third party indemnity provisions

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

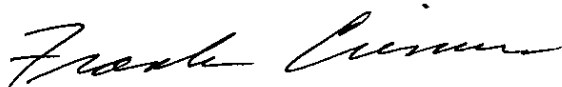
Donations

Grants and charitable donations made during the year amounted to £nil (2011 £nil) There were no political contributions made during the year (2011 £nil)

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the auditor is aware of that information

Signed on behalf of the directors



F Crimmins
Director

30 Golden Square
London
United Kingdom
W1F 9LD

Approved by the directors on 25 January 2013

Music House (International) Limited

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

Year ended 31 March 2012

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent Auditor's Report to the Shareholders of Music House (International) Limited

We have audited the financial statements of Music House (International) Limited for the year ended 31 March 2012 set out on pages 6 to 12. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- The financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice,
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Hugh Green (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

29 January 2013

Music House (International) Limited**Profit and Loss Account****Year ended 31 March 2012**

	Note	2012 £	2011 £
Turnover	2	2,473,393	1,480,385
Cost of sales		(1,347,086)	(779,316)
Gross profit		<u>1,126,307</u>	<u>701,069</u>
Distribution costs		(130,331)	(56,060)
Administrative expenses		(228,642)	(144,657)
Operating profit, being profit on ordinary activities before taxation	3	<u>767,334</u>	<u>500,352</u>
Tax on profit on ordinary activities	6	—	—
Profit on ordinary activities after taxation, being profit for the financial year		<u><u>767,334</u></u>	<u><u>500,352</u></u>

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

All of the activities of the company are classed as continuing

The company has no recognised gains and losses other than the results for the year as set out above

Music House (International) Limited**Balance Sheet****At 31 March 2012**

	Note	2012 £	2011 £
Current assets			
Debtors	7	3,288,772	1,975,749
Creditors amounts falling due within one year	8	(738,207)	(192,518)
Net current assets		<u>2,550,565</u>	<u>1,783,231</u>
Total assets less current liabilities		<u>2,550,565</u>	<u>1,783,231</u>
Capital and reserves			
Called-up share capital	9	810,000	810,000
Other reserves	10	65,000	65,000
Profit and loss account	10	1,675,565	908,231
Shareholders' funds	10	<u>2,550,565</u>	<u>1,783,231</u>

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

These financial statements were approved by the directors and authorised for issue on 25 January 2013, and are signed on their behalf by



F Crimmins
Director

Company Registration Number 1994142

Music House (International) Limited

Notes to the Financial Statements

Year ended 31 March 2012

1 Accounting policies

Basis of preparation

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

Going Concern

Music House (International) Limited has made a profit for the year of £767 3 thousand (2011 £500 4 thousand) and has net current assets of £2 6 million (2011 £1 8 million) and net assets of £2 6 million (2011 £1 8 million) at the reporting date

The Company operates as part of the DH Publishing L P group ("the Group") and has provided a guarantee to the Group's lender, as such the Company is affected by the terms of the Group's banking facilities. The continued availability of existing bank facilities requires the Group to comply with the covenants set out in those bank facilities

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

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

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

Cash flow statement

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

Related party transactions

As the Company is a wholly owned subsidiary of EMI Group Worldwide Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities where more than 90% of the voting rights are held within the EMI group

Turnover

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

Turnover consists of income from copyrights and is recorded when reported to the company by the relevant source. Turnover is stated after deducting all commissions and any sales related taxes levied on turnover

All turnover arises from continuing activities. In certain countries, the company has assigned its rights to royalty income to other undertakings of the EMI Group

Music House (International) Limited

Notes to the Financial Statements

Year ended 31 March 2012

1 Accounting policies (continued)

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Debtors - royalty advances

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

2. Turnover

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

An analysis of turnover by geographical market is given below

	2012 £	2011 £
United Kingdom	1,839,762	1,104,197
Rest of Europe	356,971	160,579
USA	103,315	151,203
Rest of the world	173,345	64,406
	<u>2,473,393</u>	<u>1,480,385</u>

3 Profit before tax on ordinary activities

	2012 £	2011 £
Operating profit on ordinary activities before tax is stated after charging		
Auditor's remuneration - audit of these financial statements	<u>6,700</u>	<u>4,200</u>

Management charges of £352,273 (2011: £196,517) have been split between distribution costs and administrative expenses in the profit and loss account

Amounts receivable by the company's auditors and their associates, other than the audit of the company's financial statements, have not been disclosed as the information is required, instead, to be disclosed on a consolidated basis in the consolidated financial statements of the Group

Music House (International) Limited**Notes to the Financial Statements****Year ended 31 March 2012****4. Directors' emoluments**

Remuneration for services provided by Roger Faxon has been borne by EMI Blackwood Music Inc in the current year and has been presented within that Company's financial statements

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

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

5 Staff costs

The company had no employees (2011 - none)

6 Taxation on ordinary activities**Analysis of charge in the year**

	2012 £	2011 £
Current tax		
UK Corporation tax based on the results for the year at 26% (2011 - 28%)	199,507	140,099
Payments in respect of group relief	(199,507)	(140,099)
Total current tax	<u>-</u>	<u>-</u>

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 26% (2011 - 28%)

	2012 £	2011 £
Profit on ordinary activities before taxation	767,334	500,352
Current tax at 26% (2011 - 28%)	199,507	140,099
Group relief received for nil payment	(199,507)	(140,099)
Total current tax	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

As part of the EMI Group, the company may receive or surrender losses by way of group relief. This receipt or surrender may be made with or without charge.

On 5 July 2011, legislation to further reduce the main rate of corporation tax from 26 per cent to 25 per cent from 1 April 2012 was substantially enacted.

On 21 March 2012, a resolution was passed by Parliament to reduce the main UK corporate tax rate to 22 per cent by 1 April 2014.

On 3 July 2012, the legislation of the reduction in the UK corporate tax rate to 23 per cent was substantially enacted. None of the above changes are reflected in the above calculation.

Music House (International) Limited**Notes to the Financial Statements****Year ended 31 March 2012****7 Debtors**

	2012 £	2011 £
Amounts due from group undertakings	3,272,259	1,972,500
Advances	16,513	3,249
	<u>3,288,772</u>	<u>1,975,749</u>

8 Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	702,483	192,518
Other creditors	35,724	–
	<u>738,207</u>	<u>192,518</u>

9 Share capital**Allotted, called up and fully paid:**

	2012 No	£	2011 No	£
8,100,000 Ordinary shares of £0.10 each	<u>8,100,000</u>	<u>810,000</u>	<u>8,100,000</u>	<u>810,000</u>

10 Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Reserve 1 balance brought forward £	Profit and loss account £	Total shareholders' funds £
At 1 April 2010	810,000	65,000	407,879	1,282,879
Profit for the year	–	–	500,352	500,352
At 31 March 2011 and 1 April 2011	810,000	65,000	908,231	1,783,231
Profit for the year	–	–	767,334	767,334
At 31 March 2012	<u>810,000</u>	<u>65,000</u>	<u>1,675,565</u>	<u>2,550,565</u>

11 Subsequent events

On 11 November 2011, Citigroup signed definitive agreements to sell the Group's Recorded Music business to Universal Music Group and Music Publishing business to an investor Group that comprised primarily of Sony Corporation of America, the Estate of Michael Jackson, Mubadala Development Company PJSC, Jynwel Capital Limited, and the Blackstone Group's GSO Capital Partners LP (the 'Investor Group'). The agreements did not take effect until clearance was received from various Competition authorities and other conditions were met. The Music Publishing business sale completed on 29 June 2012.

Music House (International) Limited

Notes to the Financial Statements

Year ended 31 March 2012

12 Ultimate parent company

The ultimate parent undertaking of the Group is DH Publishing L P , a partnership registered in the Cayman Islands

The Company's immediate parent undertaking is EMI Music Publishing Finance (UK) Limited, a company registered in England and Wales

The parent undertaking of the largest group to consolidate these financial statements is DH Publishing L P

Prior to the change of ownership (see note 11), the Company's previous ultimate parent undertaking and controlling party was Citigroup Inc, a company registered in Delaware, United States