EMI Records Limited

Directors' Report and Financial Statements

31 March 2011

Registered No 68172

Registered No 68172

Directors
S P Naughton
D N Kassler
R C Faxon (appointed 16 December 2010)
R C Prior (appointed 16 December 2010)

Secretaries
TMF Corporate Administration Services Limited

Auditors
KPMG LLP
15 Canada Square
London
E14 5GL

Registered Office
27 Wrights Lane
London
W8 5SW

Directors' report

The directors submit their report and financial statements for the year ended 31 March 2011

Results and dividends

The profit for the year, after taxation, was £65,503,000 (2010 – profit of £48,526,000)

The directors do not recommend payment of a dividend for the year (2010 – £nil)

Principal activities and review of business development

The Company continues to be engaged in the sale and distribution of all forms of recorded music and merchandise These activities are unlikely to change in the foreseeable future

Financial review

Turnover has increased by £13,935,000 (14 %) compared to the prior year Operating profit has increased by £19,212,000 (40%) after charging exceptional items relating to reorganisation of £4,344,000 (2010 £2,801,000) Net assets have increased by £65,503,000 (66%)

Analysis of key performance indicators

The directors and management of the Company use a number of key performance indicators (KPIs) to assess the ongoing performance of the business The principal profit KPI used by the directors is EBITDA, which is considered a proxy for cash flow The directors define EBITDA as the profit from operations stated before depreciation, amortisation, exceptional items (including restructuring costs) and the share of associates' and joint ventures' results EBITDA for the year ended 31 March 2011 was £76,309,000 (2010 £55,853,000)

Key risks and uncertainties

The Company's business faces a number of risks and uncertainties as is normal for a Company of its size and complexity The directors consider that the principal risks faced by the business include

- The market for recorded music product has been declining and may continue to decline,
- The current uncertainty in global economic conditions would adversely affect the prospects and results of the business,
- The downward pressure on the pricing of music products leading to pressure on the margins,
- The dependence on identifying, signing and retaining artists with long-term potential, and the effect of results of successful artists,
- The continuing exposure of the music industry to illegal music downloads and file sharing

Directors' report (continued)

Directors and their interests

The directors who served during the year are shown below

S P Naughton
D N Kassler
R C Faxon (appointed 16 December 2010)
R C Prior (appointed 16 December 2010)

None of the directors had any interests in the shares of the Company during the year

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

Political and charitable contributions

During the year, the Company made various charitable contributions totalling £8,000 (2010 – £22,000)

Employment of disabled persons

It is Company practice to encourage, wherever practicable, the employment of disabled persons and to provide appropriate opportunities for their training, career development and promotion When employees become disabled while in the service of the Company, every effort is made to rehabilitate them into their former jobs or some other suitable alternative

Employee involvement

The Company has continued to further its employee involvement policies These include the provision of information to employees and consultation with their representatives on matters affecting them, as well as the regular communication of financial information and details of the Company's performance

Supplier payment policy

The Company negotiates payment terms with its suppliers on an individual basis, with the normal spread being payment at the end of the month of delivery plus 30 to 60 days Agreement to the applicable payment terms is secured in every case

The Company emphasises the importance of prompt payment to small-sized businesses in line with UK governmental and CBI initiatives

At 31 March 2011 the Company had an average of 43 days' purchases outstanding in trade creditors (2010 – 50)

Disclosure of Information to Auditors

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 auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Directors' report (continued)

Auditor

KPMG LLP have expressed their willingness to continue in office as auditors and in accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board

S P Naughton
Director

27 Wrights Lane
London
W8 5SW

07 November 2011

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 UK Accounting Standards and applicable law (UK 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 judgments 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,

• 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

Report of the independent Auditor, KPMG LLP, to the Members of EMI Records Limited

We have audited the financial statements of EMI Records Limited for the year ended 31 March 2010 set out on pages 8 – 21 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, 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 members those matters we are required to state to them in an auditor 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

As explained more fully in the Statement of directors' responsibilities, 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 web-site 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 2011 and of its profit for the year then ended,

•have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and

•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

Report of the independent Auditor, KPMG LLP, to the Members of EMI Records Limited

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

7 November 2011

Profit and loss account

for the year ended 31 March 2011

	Note	*2011* £000	*2010* £000
Turnover	2	114,164	100,229
Cost of sales		(7,395)	(4,496)
Gross profit		106,769	95,733
Distribution costs		(1,928)	(2,544)
Administrative expenses			
Before exceptional items		(53,044)	(43,552)
Reorganisation costs	7	(4,344)	(2,801)
Fixed asset impairment	7	73	(1,553)
		(57,315)	(47,906)
Other operating income		19,226	2,257
Operating costs		(38,089)	(45,649)
Net operating profit	3	66,752	47,540
Interest receivable	8	3,834	3,485
Interest payable and similar charges	9	(5,083)	(2,499)
Profit on ordinary activities before taxation		65,503	48,526
Tax on profit on ordinary activities	10	-	-
Profit on ordinary activities after taxation	20	65,503	48,526

As stated in the Director's report, the results above for the year ended 31 March 2011 and 31 March 2010 are all derived from continuing activities

The notes on pages 11 to 21 form part of these financial statements

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

Statement of total recognised gains and losses

for the year ended 31 March 2011

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £65,503,000 in the year ended 31 March 2011 (2010 – profit of £48,526,000)

Balance sheet

at 31 March 2011

	Note	2011 £000	2010 £000
Fixed assets			
Intangible assets	11	2,711	1,890
Tangible assets	12	10,690	10,093
Investments	13	49,213	49,213
		62,614	61,196
Current assets			
Stocks	14	13	13
Debtors	15	933,284	653,802
Cash at bank and in hand		15,302	38,982
		948,599	692,797
Creditors: amounts falling due within one year	16	(633,527)	(445,508)
Net current assets		315,072	247,289
Total assets less current liabilities		377,686	308,485
Creditors amounts falling due after more than one year	17	(205,446)	(202,436)
Provisions for liabilities	18	(7,442)	(6,754)
Net assets		164,798	99,295
Capital and reserves			
Called up share capital	19,20	112,605	112,605
Profit and loss account	20	52,193	(13,310)
Equity shareholders' funds	20	164,798	99,295

The notes on pages 11 to 21 form part of these financial statements

The financial statements were approved by the Board of Directors on 07 November 2011 and were signed on its behalf by

S P Naughton
Director
07 November 2011

Registered No 68172

Notes to the financial statements

at 31 March 2011

1. Accounting policies

The followıng accountıng polıcıes have been applıed consıstently ın dealıng wıth ıtems which are consıdered materıal ın relatıon to the financıal statements

Basis of preparation

The financıal statements have been prepared under the hıstorıcal cost conventıon and ın accordance wıth applıcable accountıng standards

Going concern

EMI Records Lımıted has made a profit for the year of £65 503 mıllıon (2010 £48 526 mıllıon) and has net current assets of £377 656 mıllıon (2010 £308 485 mıllıon) at the reportıng date The Company operates as part of the EMI Group Worldwıde Holdıngs Lımıted group ("the Group") and has provıded a guarantee to the Group's lender, as such the Company ıs affected by the terms of the Group's bankıng facılıtıes The contınued avaılabılıty of exıstıng bank facılıtıes requıres the Group to comply wıth the covenants set out ın those bank facılıtıes

On 1 February 2011, the Group was acquıred by Cıtıbank and the Group's debt was sıgnıficantly reduced Thıs has resulted ın the Group's lender and ıts sole shareholder both beıng part of the US finance ınstıtutıon Cıtıgroup Immedıately followıng the acquısıtıon, Cıtıgroup completed a recapıtalısatıon of the EMI Group Worldwıde Holdıngs Lımıted, resultıng ın the sıgnıficant reductıon of debt from £3 2 bıllıon of bank debt and £1 7 bıllıon of ınter-company debt, to £1 2 bıllıon of total debt for the Group The strengthened balance sheet combıned wıth contınued strong operatıng performance means that the Group ıs able to meet ıts ongoıng workıng capıtal needs and ıts current debt servıce oblıgatıons under the finance facılıty agreements to which the Company and a number of ıts subsıdıarıes are party to

After consıderıng the financıal projectıons, the financıng facılıtıes and theır covenants the Dırectors have concluded that they have a reasonable expectatıon that the Group as a whole and the Company have adequate resources to contınue as a goıng concern for the foreseeable future For these reasons, they contınue to adopt the goıng concern basıs ın preparıng the annual report and financıal statements

Statement of cash flows

Under FRS 1 'Cash flow statements', the Company ıs exempt from the requırement to prepare a cash flow statement sınce ıt ıs a wholly owned subsıdıary undertakıng The consolıdated financıal statements of EMI Group Worldwıde Holdıngs Ltd ınclude a consolıdatıon cash flow statement dealıng wıth the cash flows of the group

Investments

Investments ın subsıdıary and assocıated undertakıngs are stated at cost less, where relevant, a provısıon to reflect any permanent dımınutıon ın value

Foreıgn currencies

Transactıons denomınated ın foreıgn currencıes are translated ınto sterlıng and recorded at the rate of exchange rulıng at the date of the transactıon Monetary assets and lıabılıtıes expressed ın foreıgn currencıes are translated ınto sterlıng at the exchange rate rulıng at the balance sheet date All dıfferences are taken to the profit and loss account

Group financial statements

The Company ıs exempt by vırtue of s401 of the Companıes Act 2006 from the requırement to prepare group accounts as the company ıs ıncluded ın the consolıdated accounts of a larger group headed by EMI Group Worldwıde Holdıngs Ltd These financıal statements present ınformatıon about the company as an ındıvıdual undertakıng and not about ıts group

Notes to the financial statements (continued)

at 31 March 2011

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured The following specific recognition criteria must also be met before revenue is recognised

- Sale of goods revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer i e on despatch and can be reliably measured Revenue is measured at fair value after making provision in respect of expected future returns of goods and services supplied by the Company prior to the balance sheet date,
- Copyright, royalty, license and other income revenue is recognised based on the contractual arrangements entered into with third parties, which allow them to exploit the Group's intellectual property in return for a fee Where the Group is entitled to a fee which is not dependent upon future usage, revenue is recognised when the Group has fulfilled its contractual commitments. Where the fees due to the Group are dependent upon usage, revenue is recognised based upon that usage Where no reliable basis is available for estimating such usage, revenue is recognised when reported to the Group by third parties,
- Interest income is recognised when it has been earned and can be reliably measured

Depreciation

Depreciation of property plant, equipment and vehicles is calculated on cost or valuation at rates estimated to write off the relevant assets by equal annual amounts over their expected useful lives Effect is given, where necessary, to commercial and technical obsolescence

The annual rates used are

Freehold buildings	2%
Plant, machinery and furniture	10% - 33 33%
Computer software	33 33%
Computer hardware	25%
Motor vehicles	25%

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Stocks

These are stated at the lower of cost and net realisable value, which is arrived at by making a provision for obsolete and slow moving items Cost includes a proportion of manufacturing overheads

Advances

In the ordinary course of business the company pays advances and other expenses recoupable from future royalties to performing artists, songwriters, producers and third party repertoire owners The amounts paid are carried at cost less recoupment and less an allowance for any unrecoupable amounts The allowance is based on past revenue performance, current popularity and projected revenue Advances are recoupable during the business operating cycle All advances are therefore reported as current assets, including advances recoupable more than 12 months after the balance sheet date

Leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the period of the lease (note 3)

Retirement benefits

Retirement benefits are accounted for under FRS 17 Retirement Benefits The Company operates both defined benefit and defined contribution schemes for its employees The Company is unable to identify its share of the underlying assets and liabilities of its defined benefit schemes and so, in accordance with FRS 17, the Company accounts for them as defined contribution schemes

Notes to the financial statements (continued)

at 31 March 2011

Classification of financial instruments issued by the Company

Under FRS 25 Financial Instruments Disclosure and Presentation, financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company s exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, group undertakings and associates It is attributable to one continuing activity wholly within the UK

3. Notes to the profit and loss account

Net operating profit is stated after charging

	2011	*2010*
	£000	*£000*
Depreciation	4,986	5,512
Exchange gain/(loss) on foreign currency balances	2,437	(597)
Exceptional items re-organisation costs	4,344	2,801
Exceptional items fixed asset impairment	(73)	1,553
Lease	479	525

4. Auditors' remuneration

	2011	*2010*
	£000	*£000*
Audit of these financial statements	147	162

5. Directors' remuneration

The directors are employed and remunerated as directors or executives of, or consultants to, other group undertakings

Notes to the financial statements (continued)

at 31 March 2011

6. Staff costs

	2011	*2010*
	£000	*£000*
Wages and salaries	36,472	21,745
Social security costs	2,234	1,980
Other pension costs	2,245	2,516
Employee costs relating to termination payments	3,222	2,088
	44,173	28,329

This includes remuneration paid to directors of the company of £nil (2010 – £nil)

	2011	*2010*
	No	*No*
The average monthly number of employees, including directors, was	454	384

7. Exceptional items

Recognised in arriving at operating result through administrative expenses

	2011	*2010*
	£000	*£000*
Reorganisation costs	4,344	2,801
Fixed asset disposal	(73)	1,533
	4,271	4,334

The directors assessed the future recoupability of artist's advances and artists' contracts and determined that no further provision should be made at 31 March 2011 (2010 - £Nil) The exceptional items have no impact on tax or minority interests

Subsequent to the acquisition by Maltby Acquisitions Limited in 2007, the Company engaged experts and consultants in order to understand more fully the commercial and geographical markets in which the Group operates, assess and redefine the strategic objectives of the Group, and start to implement a wide-ranging restructuring exercise to fundamentally reshape the business

The restructuring includes repositioning EMI Music's labels to ensure Artists and Repertoire are a primary focus, developing new partnerships with artists that are based on transparency and trust, moving to a global functional structure for each of the Company's key activities including marketing, manufacturing, sales and distribution and eliminating significant duplications to simplify the process

The costs incurred in performing the strategic review and implementing the resulting restructuring during the year were £4,344,000 (2010 £2,801,000)

Notes to the financial statements (continued)

at 31 March 2011

8. Interest receivable

	2011	*2010*
	£000	*£000*
Bank	186	186
Interest receivable from group undertakings	1,905	3,299
Other external interest	1,743	–
	3,834	3,485

9. Interest payable and similar charges

	2011	*2010*
	£000	*£000*
Bank interest	–	2
Interest payable to group undertakings	1,348	2,270
Other external interest	3,735	227
	5,083	2,499

10. Tax

(a) 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 28% (2010 – 28%) The differences are reconciled below

	2011	*2010*
	£000	*£000*
Profit on ordinary activities before tax	65,503	48,526
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 – 28%)	18,341	13,587
Effect of		
Dis-allowable/(allowable) expenditure	777	(1,771)
Capital allowances in excess of depreciation	(1,209)	–
Group relief received for payment for £nil payment (2010 - nil)	(17,909)	(11,816)
Total current tax charge	–	–

(b) Factors affecting future tax charge

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

(c) Deferred tax

At the balance sheet date the company had an unrecognised deferred tax asset of £7,441,737 (2010 - £8,525,696) in relation to capital allowances available for offset against future profits

Notes to the financial statements (continued)

at 31 March 2011

11. Intangible fixed assets

	Catalogue costs £000	*Goodwill £000*	*Total £000*
Cost.			
At 31 March 2010	5,159	2,080	7,239
Additions	–	1,121	1,121
At 31 March 2011	5,159	3,201	8,360
Amortisation:			
At 31 March 2010	5,159	190	5,349
Provided during the year	–	300	300
At 31 March 2011	5,159	490	5,649
Net book value:			
At 31 March 2011	–	2,711	2,711
At 31 March 2010	–	1,890	1,890

Catalogue costs are amortised over the lesser of their estimated useful economic lives and 20 years Goodwill for the year arises from the acquisition of Digital Stores Limited

12. Tangible fixed assets

	Freehold property £000	*Leasehold property £000*	*Equipment, plant and vehicles £000*	*Total £000*
Cost				
At 31 March 2010	1,802	1,082	77,998	80,882
Additions	–	–	4,519	4,519
Transfers	–	–	1,059	1,059
Disposals	–	–	(57)	(57)
At 31 March 2011	1,802	1,082	83,519	86,403
Depreciation				
At 31 March 2010	1,158	495	69,136	70,789
Charged during the year	8	30	4,948	4,986
Transfers	–	–	(9)	(9)
Disposals	–	–	(53)	(53)
At 31 March 2011	1,166	525	74,022	75,713
Net book value				
At 31 March 2011	636	557	9,497	10,690
At 31 March 2010	644	587	8,862	10,093

Notes to the financial statements (continued)
at 31 March 2011

13. Investments

	£000
Cost and net book value	
At 31 March 2011 and 31 March 2010	49,213

The company's principal subsidiary undertakings at 31 March 2011 were

Subsidiary undertakings	*Nature of business*	*Proportion of ordinary shares owned*
EMI Music International Services Limited	Service company	100%
Chrysalis Records International Limited	Dormant	50%
Digital Stores Limited	Service company	100%
EMI Global Limited	Dormant	99%
EMI Records Procurement Services Limited	Service company	100%
Food Limited	Dormant	100%
Music for Pleasure Limited	Dormant	100%
Trooper Enterprises Limited	Record company	75%
Loudclothing com Limited	Merchandise trading company	100%

In August 2010, the Company acquired 100% of the issued share capital of Digital Stores Limited, an e-commerce retail service provider for brands, offering a complete end to end service The acquisition was settled for cash consideration of £1,250,000

14. Stock

	2011 *£000*	*2010* *£000*
Finished goods and goods for resale	13	13

15. Debtors

	2011 *£000*	*2010* *£000*
Trade debtors	25,216	24,780
Artist advances	20,004	16,926
Amounts owed by fellow group undertakings	21,586	33,555
Other debtors and prepayments	4,793	8,418
Interest-free loans to subsidiary undertakings	38,650	816
Interest-free loans to parent undertaking	5,870	397,426
Interest-free loan to group undertakings	569,243	16,620
Interest-bearing loans to other group undertakings	164,901	77,360
Interest-bearing loans to subsidiary undertakings	-	23,442
Interest-bearing loan to parent undertaking	83,021	54,459
	933,284	653,802

Notes to the financial statements (continued)
at 31 March 2011

Included wıthın artıst advances of £20,004,000 at 31 March 2011 are advances of £3,312,000 whıch are expected to be recovered more than 12 months after the balance sheet date

Loans to fellow subsıdıary undertakıngs are not the subject of a loan note nor are they repayable under fixed terms Therefore, they may be recoverable after more than one year

16. Credıtors: amounts fallıng due wıthın one year

	2011	*2010*
	£000	*£000*
Trade credıtors	2,902	20,219
Royaltıes payable	57,563	47,094
Amounts payable to fellow subsıdıary undertakıngs	201,937	131,343
Other taxes ıncludıng VAT and socıal securıty costs	25	404
Accruals and deferred ıncome	44,958	34,730
Interest-free loan from parent undertakıng	3,421	170
Interest-free loans from group undertakıngs	74,853	-
Interest-bearıng loans from group undertakıngs	17,913	27,251
Interest-free loans from subsıdıary undertakıngs	229,955	184,297
	633,527	445,508

The ınterest-bearıng loan bears ınterest at a UK prıme rate All loans are repayable on demand

17. Credıtors: amounts fallıng due after more than one year

	2011	*2010*
	£000	*£000*
Trade credıtors	5,446	2,436
200,000,000 3 75% cumulatıve redeemable preference shares of £1 each	200,000	200,000
	205,446	202,436

The preference shares, whıch were ıssued at par, are redeemable wıth notıce of one month

The preference shares carry no votes at meetıngs unless the dıvıdend thereon ıs sıx months or more ın arrears or the busıness of the meetıng ıncludes a resolutıon for the wındıng-up of the Company or reducıng ıts share capıtal, ın whıch event the holder wıll be entıtled to one vote per share on a poll

On a wındıng-up of the Company, the preference shareholders have a rıght to receıve, ın preference to any payments to the ordınary shareholders, £1 per share plus any accrued dıvıdend

A dıvıdend of 3 5% ıs payable on the preference shares annually The dırectors of the Company whıch owns 100% of the preference shares, EMI Lımıted, have formally waıved the rıght to receıve all dıvıdends sınce the shares were ıssued, and therefore no lıabılıty ın respect of these dıvıdends has been recognısed ın the financıal statements

Notes to the financial statements (continued)

at 31 March 2011

18. Provisions for liabilities

	Reorganisation £000	Audit claims £000	Other £000	Total £000
Provisions at 31 March 2010	473	1,981	4,300	6,754
Charged to profit and loss account	633	3,155	–	3,788
Released/(Utilised) during the year	(473)	(2,418)	(209)	(3,100)
Provisions at 31 March 2011	633	2,718	4,091	7,442

The balance at 31 March 2011 includes provisions for future closure and reorganisation of operations of £633,000 (2010 – £473,000) and future audit claims of £2,718,000 (2010 – £1,981,000)

The majority of the reorganisation and royalty audit claims provisions will be utilised in the short term

19. Share capital

	2011 £000	*2010 £000*
Authorised		
Ordinary shares of £1 each	112,605	112,605
Allotted, called up and fully paid		
Ordinary shares of £1 each	112,605	112,605

20. Reconciliation of shareholders' deficit and movement on reserves

	Share capital £000	*Profit and loss account £000*	*Total share-holders' funds /deficit £000*
At 31 March 2010	112,605	(13,310)	99,295
Profit for the year	–	65,503	65,503
At 31 March 2011	112,605	52,193	164,798

21. Obligations under leases and hire purchase contracts

At 31 March 2011, annual commitments under operating leases in respect of land and buildings were as follows

	2011 £000	*2010 £000*
Expiring in less than one year	416	416
Expiring in the second to fifth years inclusive	1,664	1,664
Expiring after the fifth year	2,080	2,496
	4,160	4,576

Notes to the financial statements (continued)

at 31 March 2011

At 31 March 2011, annual commitments under other operating leases were as follows

	2011	*2010*
	£000	*£000*
Expiring in less than one year	34	64
Expiring in the second to fifth years inclusive	35	14
	69	78

22. Contingent liabilities

Within the music industry a variety of claims arise from time to time in the normal course of business Some have little or no foundation in fact or law and others cannot be quantified Provisions have been made in the financial statements for those claims against the company which the directors consider are likely to result in significant liabilities

At 31 March 2011 the company had provided a guarantee to its clearing bank in respect of borrowings of other EMI Group Worldwide Holdings Ltd UK group undertakings The guarantee was limited to the amount of cash held by the Company with the bank This amounted to £nil (2010 – £39,982,000)

23. Pension commitments

As noted in the Company accounting policies, the Company is a member of the EMI Group Pension Fund (UK fund), a defined benefit pension scheme for EMI Group Ltd (formerly EMI Group plc) and its subsidiaries in the UK As the Company is unable to identify its share of the underlying assets and liabilities of the UK fund, in accordance with FRS 17 it has accounted for it as a defined contribution scheme The cost of contributions by the Company to the UK fund during the year was £2,245,000 (2010 – £2,480,000)

During the year ended 31 March 2011, EMI Group has reached agreement with the Trustee Board of the EMI Group Pension Fund regarding its long term funding

A multi-year payment plan has been agreed between the Group and the Trustee to provide £197 million in additional funding by April 2016 This includes the first payment of £16 million made during the year ended 31 March 2011

As at 31 March 2011, the UK fund had Scheme assets with a fair value of £956m (2010 - £935m) and a present value of defined benefit obligations of £1,026m (2010 - £1,051m) resulting in a net pension liability of £70m (2010 – liability of £116m) The date of the last actuarial valuation of scheme assets and obligations was 31 March 2008, and was based on the projected unit method

24. Financial commitments

The group has commitments, which are largely performance related, to pay advances to artists and repertoire owners amounting to approximately £41,341,000 at 31 March 2011 (2010 – £63,214,000)

25. Related party transactions

The Company has taken advantage of the exemption under Financial Reporting Standard 8, "Related Party Disclosures" (FRS 8), not to disclose related party transactions between wholly owned group undertakings

Notes to the financial statements (continued)

at 31 March 2011

26. Ultimate parent undertaking

The Company's immediate parent undertaking is EMI Limited, a company incorporated in England and Wales

Until 1 February 2011, the ultimate parent company was Maltby Capital Limited On 1 February 2011, Maltby Investments Limited, an intermediate company owned by Maltby Capital Limited, sold Maltby Acquisitions Limited, an intermediate company, to Citibank Maltby Acquisitions Limited became the ultimate holding company of the new group, which owned EMI Records Limited Subsequently Maltby Acquisitions Limited changed its name to EMI Group Worldwide Holdings Limited

On 31 March 2011, a new holding company EMI Global Group Limited was established above EMI Group Worldwide Holdings Limited

The ultimate parent undertaking and controlling party is CGI Private Equity LP LLC, registered in the state of Delaware, USA