

EMI Records Limited

Directors' Report and Financial Statements

31 March 2012

Registered No 68172

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COMPANIES HOUSE

EMI Records Limited

Registered No 68172

Directors

R M Constant (appointed 09 November 2012)

J H Morris (appointed 28 September 2012)

D N Kassler

R C Faxon (resigned 28 September 2012)

R C Prior (resigned 28 September 2012)

S P Naughton (resigned 28 September 2012)

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 2012

Results and dividends

The profit for the year, after taxation, was £54,167,000 (2011 – profit of £65,503,000)

The directors do not recommend payment of a dividend for the year (2011 – £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 £9,440,000 (8 %) compared to the prior year. Operating profit has decreased by £23,447,000 (35%) after charging exceptional items relating to reorganisation of £8,592,000 (2011 £4,344,000). Net assets have increased by £54,167,000 (33%).

On 11 November 2011 Citibank entered into a share purchase agreement with Universal Music Group in order to dispose of the Group's Recorded Music business of which the Company forms part. The Recorded Music business sale completed on 28 September 2012.

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 2012 was £44,633,000 (2011 £76,309,000).

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.

Sale

The company forms part of the Recorded Music division of EMI.

On 11 November 2011, EMI Group Global Limited signed a definitive agreement to sell its Recorded Music division to Universal Music Group.

The transactions were subject to certain closing conditions, including the approval by relevant regulatory authorities and was conditional on Citigroup taking over the responsibility for EMI's UK defined benefit pension scheme (see note 26 for details of the post balance sheet events relating to pensions).

Regulatory approvals have been obtained post year end with the requirement for certain divestments including EMI Records Limited. The Recorded Music business sale completed on 28 September 2012.

Directors' report

In accordance with the Recorded Music sale agreement, EMI Group Global Limited received a cash deposit of £912 million and €100 million from Universal Music Group on 3 September 2012. £88 million and €100 million were used to repay the external debt (apart from the Revolving Credit Facility). The balance of the sale proceeds (£100 million) were received by EMI Group Global Limited, and the Revolving Credit Facility repaid by the purchaser, on 28 September 2012.

As a consequence of the sale transaction, Universal Music Group repaid the outstanding debt from Citigroup Inc for the business they bought. After the completion of the sale, Universal Music Group has financed, and will continue to finance, Recorded Music using its existing facilities.

The Recorded Music business was sold via the disposal of EMI Group Worldwide Holdings Limited.

Directors and their interests

The directors who served during the year and to the date of this report are shown below.

R M Constant (appointed 09 November 2012)

J H Morris (appointed 28 September 2012)

D N Kassler

R C Faxon (resigned 28 September 2012)

R C Prior (resigned 28 September 2012)

S P Naughton (resigned 28 September 2012)

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 £12,000 (2011 – £8,000).

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 2012 the Company had an average of 60 days' purchases outstanding in trade creditors (2011 – 43).

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

Directors' report

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board



J H Morris
Director

27 Wrights Lane
London
W8 5SW

7 December 2012

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.

Independent Auditor's Report to the members of EMI Records Limited

We have audited the financial statements of EMI Records Limited for the year ended 31 March 2012 set out on pages 8 – 23. 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's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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 2012 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.

**Independent Auditor's Report 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 December 2012

Profit and loss account

for the year ended 31 March 2012

	Note	2012 £000	2011 £000
Turnover	2	123,604	114,164
Cost of sales		(10,451)	(7,395)
Gross profit		<u>113,153</u>	<u>106,769</u>
Distribution costs		(2,470)	(1,928)
Administrative expenses			
Before exceptional items		(72,929)	(53,044)
Reorganisation costs	7	(8,592)	(4,344)
Fixed asset impairment	7	–	73
		<u>(81,521)</u>	<u>(57,315)</u>
Other operating income		14,143	19,226
Operating costs		<u>(69,848)</u>	<u>(38,089)</u>
Net operating profit	3	<u>43,305</u>	<u>66,752</u>
Interest receivable	8	59,776	3,834
Interest payable and similar charges	9	(48,914)	(5,083)
Profit on ordinary activities before taxation		<u>54,167</u>	<u>65,503</u>
Tax on profit on ordinary activities	10	–	–
Profit on ordinary activities after taxation	20	<u><u>54,167</u></u>	<u><u>65,503</u></u>

As stated in the Director's report, the results above for the year ended 31 March 2012 and 31 March 2011 are all derived from continuing activities

The notes on pages 11 to 23 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 2012

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £54,167,000 in the year ended 31 March 2012 (2011 – profit of £65,503,000)

Balance sheet

at 31 March 2012

	Note	2012 £000	2011 £000
Fixed assets			
Intangible assets	11	2,411	2,711
Tangible assets	12	12,528	10,690
Investments	13	49,213	49,213
		<u>64,152</u>	<u>62,614</u>
Current assets			
Stocks	14	-	13
Debtors	15	1,497,059	933,284
Cash at bank and in hand		9,086	15,302
		<u>1,506,145</u>	<u>948,599</u>
Creditors: amounts falling due within one year	16	(1,141,377)	(633,527)
Net current (liabilities)/assets		<u>364,767</u>	<u>315,072</u>
Total assets less current liabilities		<u>428,920</u>	<u>377,686</u>
Creditors: amounts falling due after more than one year	17	(201,577)	(205,446)
Provisions for liabilities	18	(8,378)	(7,442)
Net assets		<u>218,965</u>	<u>164,798</u>
Capital and reserves			
Called up share capital	19,20	112,605	112,605
Profit and loss account	20	106,360	52,193
Equity shareholders' funds	20	<u>218,965</u>	<u>164,798</u>

The notes on pages 11 to 23 form part of these financial statements

The financial statements were approved by the Board of Directors on 7 December 2012 and were signed on its behalf by



J H Morris
Director

7 December 2012

Registered No 68172

Notes to the financial statements

at 31 March 2012

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

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

Going concern

The strong balance sheet of the Company combined with a strong operating performance has meant that the Company has been able to meet its ongoing working capital needs

As stated previously, the sale of EMI's Recorded Music business by Citigroup completed on 28 September 2012 via the disposal of EMI Group Worldwide Holdings Limited. As a consequence of the sale transaction, Universal Music Group repaid the outstanding debt from Citigroup Inc for Recorded Music. After the completion of the sale, Universal Music Group has financed, and will continue to finance, Recorded Music using its existing facilities.

As a condition to approving the overall acquisition, the European Commission imposed a condition that UMG dispose of its interest in the company. UMG has now initiated a process to comply with this requirement. The directors consider that any purchaser of the company will take steps to ensure that the company has sufficient funding available to it to continue operating as it currently does.

At the end of August 2012 ownership of the UK defined benefit pension scheme was transferred out of the Group to Citigroup (the sale of the Recorded Music business is conditional on Citigroup taking over the responsibility for EMI's UK defined benefits pension scheme).

The Directors are comfortable that the Company will have adequate resources to continue to be a going concern for the foreseeable future, and hence, a going concern basis of preparation is appropriate at 31 March 2012.

Statement of cash flows

Under FRS 1 'Cash flow statements', the Company is exempt from the requirement to prepare a cash flow statement since it is a wholly owned subsidiary undertaking. The consolidated financial statements of EMI Group Worldwide Holdings Ltd include a consolidation cash flow statement dealing with the cash flows of the group.

Investments

Investments in subsidiary and associated undertakings are stated at cost less, where relevant, a provision to reflect any permanent diminution in value.

Foreign currencies

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

Group financial statements

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group accounts as the company is included in the consolidated accounts of a larger group headed by EMI Group Worldwide Holdings Ltd. These financial statements present information about the company as an individual undertaking and not about its group.

Notes to the financial statements (continued)

at 31 March 2012

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.

Other Income

Other income represents the Company's share of profits generated on music compilation albums, such as the NOW series, where a profit share agreement is in place with a third party record label.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses.

Following initial recognition, intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives. These lives are estimated on an individual asset by asset basis, and are as follows:

Music catalogues	Over the duration of the contract or up to 50 years
Goodwill	10 years

Intangible assets are tested for impairment at each balance sheet date if events or changes in circumstances indicate that the carrying value may not be recoverable. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Intangible assets created within the businesses that cannot be distinguished from the cost of developing the business as a whole are not capitalised. Any relevant expenditure is charged against profit from operations in the period in which the expenditure is incurred.

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.

Notes to the financial statements (continued)

at 31 March 2012

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 unrecoverable 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.

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.

Notes to the financial statements (continued)

at 31 March 2012

3. Notes to the profit and loss account

Net operating profit is stated after charging

	2012	2011
	£000	£000
Depreciation	4,242	4,986
Exchange (loss)/gain on foreign currency balances	(11,630)	2,437
Exceptional items re-organisation costs	8,592	4,344
Exceptional items fixed asset impairment	–	(73)
Lease	458	479

4. Auditors' remuneration

	2012	2011
	£000	£000
Audit of these financial statements	121	147

5. Directors' remuneration

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

6. Staff costs

	2012	2011
	£000	£000
Wages and salaries	33,286	36,472
Social security costs	3,463	2,234
Other pension costs	3,433	2,245
Employee costs relating to termination payments	862	3,222
	41,044	44,173

This includes remuneration paid to directors of the company of £nil (2011 – £nil)

	2012	2011
	No	No
The average monthly number of employees, including directors, was	427	454

Notes to the financial statements (continued)

at 31 March 2012

7. Exceptional items

Recognised in arriving at operating result through administrative expenses

	2012	2011
	£000	£000
Reorganisation costs	8,592	4,344
Fixed asset disposal	-	(73)
	<u>8,592</u>	<u>4,271</u>

During the year, the company undertook an exercise to outsource the majority of its IT support functions to a third party services provider. A large proportion of the exceptional costs incurred during the year (£7.2m) related to redundancy and other integration costs associated with this exercise

The remainder of the exceptional costs related to ongoing restructuring activities resulting from strategic reviews of the business

8. Interest receivable

	2012	2011
	£000	£000
Bank	-	186
Interest receivable from group undertakings	59,679	1,905
Other external interest	97	1,743
	<u>59,776</u>	<u>3,834</u>

9. Interest payable and similar charges

	2012	2011
	£000	£000
Interest payable to group undertakings	47,965	1,348
Other external interest	949	3,735
	<u>48,914</u>	<u>5,083</u>

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 26% (2011 – 28%). The differences are reconciled below:

Notes to the financial statements (continued)

at 31 March 2012

	2012 £000	2011 £000
Profit on ordinary activities before tax	54,167	65,503
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 – 28%)	14,083	18,341
<i>Effect of</i>		
Permanent difference	6,664	–
Dis-allowable/(allowable) expenditure	63	777
Capital allowances in excess of depreciation	(922)	(1,209)
Group relief received for payment for £nil payment (2011 - nil)	(19,888)	(17,909)
Total current tax charge	–	–

(b) Factors affecting future tax charge

As part of the EMI Group Worldwide Holdings Ltd group, the company may receive or surrender losses by way of group relief. This receipt or surrender is made 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, which has not been reflected in the above calculation.

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. This is not reflected in the above calculation statements.

(c) Deferred tax

At the balance sheet date the company had an unrecognised deferred tax asset of £6,085,343 (2011 - £7,441,737) in relation to capital allowances available for offset against future profits.

11. Intangible fixed assets

	<i>Catalogue costs £000</i>	<i>Goodwill £000</i>	<i>Total £000</i>
Cost:			
At 31 March 2011	5,159	3,201	8,360
Additions	–	–	–
At 31 March 2012	5,159	3,201	8,360
Amortisation:			
At 31 March 2011	5,159	490	5,649
Provided during the year	–	300	300
At 31 March 2012	5,159	790	5,949
Net book value:			
At 31 March 2012	–	2,411	2,411
At 31 March 2011	–	2,711	2,711

Notes to the financial statements (continued)

at 31 March 2012

12. Tangible fixed assets

	<i>Freehold property £000</i>	<i>Leasehold property £000</i>	<i>Equipment, plant and vehicles £000</i>	<i>Total £000</i>
Cost				
At 31 March 2011	1,802	1,082	83,519	86,403
Additions	1,091	–	5,575	6,666
Transfers	149	–	(160)	(11)
Disposals	–	–	–	–
At 31 March 2012	3,042	1,082	88,934	93,058
Depreciation				
At 31 March 2011	1,166	525	74,022	75,713
Charged during the year	16	25	4,201	4,242
Transfers	662	–	(87)	575
Disposals	–	–	–	–
At 31 March 2012	1,844	550	78,136	80,530
Net book value				
At 31 March 2012	1,198	532	10,798	12,528
At 31 March 2011	636	557	9,497	10,690

13. Investments

	<i>£000</i>
Cost and net book value	
At 31 March 2012 and 31 March 2011	49,213

The company's principal subsidiary undertakings at 31 March 2012 were

<i>Subsidiary undertakings</i>	<i>Nature of business</i>	<i>Proportion of ordinary shares owned</i>
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%

Notes to the financial statements (continued)

at 31 March 2012

14. Stock

	2012	2011
	£000	£000
Finished goods and goods for resale	-	13

15. Debtors

	2012	2011
	£000	£000
Trade debtors	15,622	25,216
Amounts owed by fellow group undertakings		
Trade debtors collected on behalf of fellow subsidiary undertakings	8,625	1,890
Interest-free loans to subsidiary undertakings	524,444	38,650
Interest-free loans to parent undertaking	34,159	5,870
Interest-free loan to group undertakings	498,609	569,243
Interest-bearing loans to group undertakings	256,029	164,901
Interest-bearing loan to parent undertaking	58,236	83,021
Interest-bearing loan to subsidiary undertakings	26,646	-
Other amounts owed by fellow group undertakings	56,693	19,696
Artist advances	2,976	20,004
Other debtors and prepayments	15,020	4,793
	<u>1,497,059</u>	<u>933,284</u>

Loans to fellow subsidiary undertakings 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. Creditors: amounts falling due within one year

	2012	2011
	£000	£000
Trade creditors	6,915	2,902
Amounts payable to fellow subsidiary undertakings		
Trade creditors paid on behalf of fellow subsidiary undertakings	5,651	2,063
Interest-free loan from parent undertaking	3,421	3,421
Interest-free loans from group undertakings	-	74,853
Interest-bearing loans from group undertakings	148,004	17,913
Interest-bearing loans from parent undertaking	10,506	-
Interest-free loans from subsidiary undertakings	808,050	229,955
Other amounts payable to fellow subsidiary undertakings	64,123	199,874
Royalties payable	65,762	57,563
Other taxes including VAT and social security costs	1,637	25
Accruals and deferred income	27,308	44,958
	<u>1,141,377</u>	<u>633,527</u>

The interest-bearing loan bears interest at a UK prime rate. All loans are repayable on demand.

Notes to the financial statements (continued)

at 31 March 2012

17. Creditors: amounts falling due after more than one year

	2012 £000	2011 £000
Trade creditors	1,577	5,446
200,000,000 3 75% cumulative redeemable preference shares of £1 each	200,000	200,000
	<u>201,577</u>	<u>205,446</u>

The preference shares, which were issued at par, are redeemable with notice of one month

The preference shares carry no votes at meetings unless the dividend thereon is six months or more in arrears or the business of the meeting includes a resolution for the winding-up of the Company or reducing its share capital, in which event the holder will be entitled to one vote per share on a poll.

On a winding-up of the Company, the preference shareholders have a right to receive, in preference to any payments to the ordinary shareholders, £1 per share plus any accrued dividend

A dividend of 3 5% is payable on the preference shares annually. The directors of the Company which owns 100% of the preference shares, EMI Group Holdings (UK), have formally waived the right to receive all dividends since the shares were issued, and therefore no liability in respect of these dividends has been recognised in the financial statements

18. Provisions for liabilities

	Reorganisation £000	Audit claims £000	Other £000	Total £000
Provisions at 31 March 2011	633	2,718	4,091	7,442
Charged to profit and loss account	2,662	1,383	454	4,499
Released/(Utilised) during the year	(159)	(3,410)	6	(3,563)
Provisions at 31 March 2012	<u>3,136</u>	<u>691</u>	<u>4,551</u>	<u>8,378</u>

The balance at 31 March 2012 includes provisions for future closure and reorganisation of operations of £3,136,000 (2011 – £633,000) and future audit claims of £691,000 (2011 – £2,718,000)

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

19. Share capital

	2012 £000	2011 £000
<i>Authorised</i>		
Ordinary shares of £1 each	<u>112,605</u>	<u>112,605</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>112,605</u>	<u>112,605</u>

Notes to the financial statements (continued)

at 31 March 2012

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 2011	112,605	52,193	164,798
Profit for the year	–	54,167	54,167
At 31 March 2012	112,605	106,360	218,965

21. Obligations under leases and hire purchase contracts

At 31 March 2012, annual commitments under operating leases in respect of land and buildings were as follows

	2012 £000	2011 £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	1,248	2,080
	3,328	4,160

At 31 March 2012, annual commitments under other operating leases were as follows

	2012 £000	2011 £000
Expiring in less than one year	42	34
Expiring in the second to fifth years inclusive	56	35
	98	69

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 2012 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 (2011 – £nil).

23. Pension commitments

On 15 May 2012, after a period of consultation, an agreement was reached between EMI and the employee members of the pension scheme and the pension scheme was closed to future accrual. All members transferred into a new defined contributions scheme. The closure of the plan does not impact current

Notes to the financial statements (continued)

at 31 March 2012

pensioners, or affect the benefits already accrued by current employees who were still contributing to the scheme

A net past service gain of £3.1 million has been calculated arising from the curtailment of the Fund on 15 May 2012. This past service gain has not been included in the 31 March 2012 results and will be included in the next accounting period.

The net past service gain is the result of a gross past service gain of £4.7 million relating to the future loss of salary increases upon the curtailment of the scheme, offset by a gross past service cost of £1.6 million which represents additional service credits agreed with the pension fund members during the consultation period.

The calculation of this gain is based on the same demographic assumptions as were used for the 31 March 2012 disclosures (see note 25) and the following financial assumptions which are based on market yields at 15 May 2012, the curtailment date.

MAIN ASSUMPTIONS	Percent
Rate of increase to pension in payment - RPI (Range 0-5 per cent)	2.9
Rate of increase to pension in payment - CPI (Range 0-3 per cent)	1.8
Rate of increase in salary growth	4.1
Discount rate for scheme liabilities	4.8
Inflation - RPI	3.1
Inflation - CPI	2.1

Separately, at the end of August 2012, ownership of the UK defined benefit pension scheme was transferred out of the Group to Citigroup (the sale of the Recorded Music business is conditional on Citigroup taking over the responsibility for EMI's UK defined benefits pension scheme). As part of this transfer, the Group made a £240m contribution to the UK pension fund.

24. Financial commitments

The group has commitments, which are largely performance related, to pay advances to artists and repertoire owners amounting to approximately £33,098,000 at 31 March 2012 (2011 – £41,341,000).

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.

26. Post balance sheet events

Sale

The company forms part of the Recorded Music division of EMI.

On 11 November 2011, EMI Group Global Limited signed a definitive agreement to sell its Recorded Music division to Universal Music Group.

The transactions were subject to certain closing conditions, including the approval by relevant regulatory authorities and was conditional on Citigroup taking over the responsibility for EMI's UK defined benefits pension scheme.

Notes to the financial statements (continued)

at 31 March 2012

Regulatory approvals have been obtained post year end. The Recorded Music business sale completed on 28 September 2012.

In accordance with the Recorded Music sale agreement, EMI Group Global Limited received a cash deposit of £912 million and €100 million from Universal Music Group on 3 September 2012. £88 million and €100 million were used to repay the external debt (apart from the Revolving Credit Facility). The balance of the sale proceeds (£100 million) were received by the EMI Group Global Limited, and the Revolving Credit Facility repaid by the purchaser, on 28 September 2012.

As a consequence of the sale transaction, Universal Music Group repaid the outstanding debt from Citigroup Inc for the business they bought. After the completion of the sale, Universal Music Group has financed, and will continue to finance, Recorded Music using its existing facilities.

The Recorded Music business was sold via the disposal of EMI Group Worldwide Holdings Limited.

Pensions

On 15 May 2012, after a period of consultation, an agreement was reached between EMI and the employee members of the pension scheme and the pension scheme was closed to future accrual. All members transferred into a new defined contributions scheme. The closure of the plan does not impact current pensioners, or affect the benefits already accrued by current employees who were still contributing to the scheme.

A net past service gain of £3.1 million has been calculated arising from the curtailment of the Fund on 15 May 2012. This past service gain has not been included in the 31 March 2012 results and will be included in the next accounting period.

The net past service gain is the result of a gross past service gain of £4.7 million relating to the future loss of salary increases upon the curtailment of the scheme, offset by a gross past service cost of £1.6 million which represents additional service credits agreed with the pension fund members during the consultation period.

The calculation of this gain is based on the same demographic assumptions as were used for the 31 March 2012 disclosures (see note 23) and the following financial assumptions which are based on market yields at 15 May 2012, the curtailment date.

Curtailment Assumptions	Per cent
Main assumptions	
Rate of increase to pensions in payment - RPI (Range 0-5 per cent)	2.9
Rate of increase to pensions in payment - CPI (Range 0-3 per cent)	1.8
Rate of increase in salary growth	4.1
Discount rate for scheme liabilities	4.8
Inflation - RPI	3.1
Inflation - CPI	2.1

Separately, at the end of August 2012, ownership of the UK defined benefit pension scheme was transferred out of the Group to Citigroup (the sale of the Recorded Music business is conditional on Citigroup taking over the responsibility for EMI's UK defined benefits pension scheme). As part of this transfer, the EMI Records Limited made a £312m contribution towards the UK pension fund.

Notes to the financial statements (continued)

at 31 March 2012

27. Ultimate parent undertaking

The ultimate parent undertaking and controlling party at 31 March 2012 is CGI Private Equity LP LLC, a company registered in Delaware, United States. The immediate parent company is EMI Limited. The parent undertaking of the largest and smallest group in which they are consolidated is EMI Group Worldwide Holdings Limited. Copies of the consolidated financial statements of EMI Group Worldwide Holdings Limited can be obtained from the Company's registered address, 27 Wrights Lane, London, W8 5SW.

Subsequent to the year end and the sale of the Recorded Music business the ultimate parent undertaking and controlling party is Vivendi SA. For further detail refer to note 26.