Virgin Records Overseas Limited

Directors' report and financial statements

Registered number 335444

31 March 2012

DIRECTORS' REPORT

The Dırectors present theır Dırectors' Report and financıal statements for the year ended 31 March 2012

Principal Activities and Review of the Business

Vırgın Records Overseas Lımıted (the "Company") ıs a wholly owned subsıdıary of EMI Group Worldwıde and ıs part of EMI Group Worldwıde Holdıngs Lımıted (the "Group") Cıtıgroup Inc ("Cıtıgroup") ıs the ultımate parent undertakıng

The prıncıpal actıvıty of the Company ıs that of an ınvestment holdıng company There has not been any change to the prıncıpal actıvıty of the Company durıng the year ended 31 March 2012 or subsequently The Dırectors do not antıcıpate any change to the prıncıpal actıvıty of the Company durıng the next year

On 11 November 2011, Cıtıgroup sıgned definıtıve agreements to sell the Group's Recorded Musıc busıness to Unıversal Musıc Group and Musıc Publıshıng busıness to an ınvestor Group that comprısed of Sony Corporatıon of Amerıca, the Estate of Mıchael Jackson, Mubadala Development Company PJSC, Jynwel Capıtal Lımıted, the Blackstone Group's GSO Capıtal Partners LP and Davıd Geffen (the 'Investor Group') The agreements do not take effect untıl clearance ıs receıved from varıous Competıtıon authorıtıes and other condıtıons are met The Musıc Publıshıng busıness sale completed on 29 June 2012 Thıs Company forms part of the Recorded Musıc busıness and has had no change ın ultımate owner

The company operates as part of the EMI Group Worldwıde Holdıngs Lımıted Group and all of ıts transactıons are wıth fellow Group undertakıngs As such ıts actıvıtıes are dependent on the actıvıtıes of the Group as a whole.

	2012 £000	2011 £000	Change %
Profit/(loss) before tax	25,252	2,720	828 4
Profit/(loss) after tax	25,252	2,720	828.4
Shareholders' funds	178,250	152,998	16 5

As stated ın the profit and loss account on page 7 the Company made a profit before tax of £25,252,000 ın the year to 31 March 2012 compared wıth the prevıous year's profit before tax of £2,720,000. Thıs represents an ıncrease of 828.4 per cent and ıs maınly due to the an ıncrease ın ınterest receıvable on group loans

In the balance sheet shown on page 8, the net assets of the Company have ıncreased by 16.5 per cent due to the ıncrease ın ıntercompany receıvables Shareholders' funds have ıncreased by 16 5 per cent as a result of retaıned profit for the year.

DIRECTORS' REPORT (continued)

Going Concern

As set out ın more detaıl ın note 1 the Dırectors have assessed the current and expected future fundıng posıtıon of the Company After appropnate consıderatıon they have concluded that they have a reasonable expectatıon that the Company has 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

Principal Risks and Uncertainties

The Company operates as part of the Group and all of ıts transactıons are wıth fellow Group undertakıngs As such ıts actıvıtıes are dependent on the actıvıtıes of the Group as a whole.

The nsks and uncertaıntıes facıng the Company are lınked to those of the Group A detaıled dıscussıon of the Group nsks and uncertaıntıes ıs contaıned ın EMI Group Worldwıde Holdıngs Lımıted's annual report.

Dividends

The Dırectors do not recommend payment of a dıvıdend (2011. £nıl)

Directors' Qualifying Third Party Indemnity Provisions

Certaın Dırectors benefited from qualıfyıng thırd party ındemnıty provısıons at the date of thıs report

Donations

Grants and chantable donatıons made durıng the year amounted to £nıl (2011 £nıl) There were no polıtıcal contnbutıons made durıng the year (2011 £nıl)

Directors

The Dırectors throughout the year and subsequently were as follows

R C Faxon
R C Pnor
S P Naughton

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 aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

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

R C Prior
Director
21 August 2012

Registered Office
27 Wrights Lane
London
W8 5SW

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 judgements and estimates that are reasonable and prudent;

• state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

• 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 MEMBERS OF VIRGIN RECORDS OVERSEAS LIMITED

We have audited the financial statements of Virgin Records Overseas Limited for the year ended 31 March 2012 set out on pages 7 to 17 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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
- 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 matter 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN RECORDS OVERSEAS LIMITED (continued)

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
United Kingdom

21 August 2012

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £000	2011 £000
Amounts written off investments	5	-	-
OPERATING PROFIT		-	-
Interest receivable	2	25,252	2,720
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**25,252**	**2,720**
Taxation	3	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**25,252**	**2,720**

All operating profit is from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR YEAR ENDED 31 MARCH 2012

There are no recognised gains or losses attributable to the shareholders of the Company other than the profit of £25,252,000 (2011 · £2,720,000)

The notes on pages 9 to 17 form an integral part of these financial statements

BALANCE SHEET
AS AT 31 MARCH 2012

	Notes	2012 £000	2011 £000
FIXED ASSETS			
Investments	5	12,148	12,148
DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amount due from fellow Group undertaking	8	418,959	393,707
		418,959	**393,707**
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amount due to fellow group undertaking	8	(252,857)	-
		(252,857)	**-**
NET CURRENT ASSETS		**167,102**	**393,707**
TOTAL ASSETS LESS CURRENT LIABILITIES		**178,250**	**405,855**
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amount due to fellow group undertaking	8	-	(252,857)
NET ASSETS		**179,250**	**152,998**
CAPITAL AND RESERVES			
Called up share capital	6	128,947	128,947
Profit and loss account	7	49,303	24,051
SHAREHOLDERS' FUNDS	7	**178,250**	**152,998**

These financial statements were approved for issue by the Board of Directors on 21 August 2012
and were signed on its behalf by

R C Prior

R C Prior
Director

The notes on pages 9 to 17 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Preparation

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

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare Group financial statements These financial statements present information about the Company as an individual undertaking and not about its Group

Going Concern

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

On 11 November 2011 Citigroup 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 agreement will not take effect until clearance is received from various Competition authorities and other conditions are met

On completion of the sale of the Recorded Music business, the Universal Music Group will repay the outstanding debt from Citigroup for the business it is buying and has indicated that it will finance the business using its existing facilities. The Directors do not have any reason to doubt that the incoming controlling shareholder's intention is to manage the business as a going concern For these reasons, they adopt the going concern basis in preparing these financial statements

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

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 Parties

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 which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of EMI Group Worldwide Holdings Limited, within which this Company is included, can be obtained from the address given in note 9.

Investments

Investments in subsidiary and associated undertakings are stated at cost less provision to reflect any impairment

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Impairment of fixed assets

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable If any such indication exists, the asset's recoverable amount is estimated

An impairment loss is recognised whenever the carrying amount of an assets or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted back to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed on intangible assets and goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount For other fixed assets where the recoverable amount increases as a result of change in economic conditions or in the expected use of the asset then the resultant reversal of the impairment loss should be recognised in the current period

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the profit or loss 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

2. INTEREST RECEIVABLE

	2012 £000	2011 £000
Interest receivable on.		
Loans to fellow Group undertakings	25,252	2,720

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. TAX

Tax on profit on ordinary activities	**2012 £000**	**2011 £000**
UK corporation tax		
UK corporation tax on profits of the period	-	-
Payments in respect of group relief - Current year	-	-
Payments in respect of group relief - Prior year	-	-
Double taxation relief	-	-
	-	-
Foreign tax		
Current year	-	-
Adjustments in respect of previous year	-	-
	-	-
Total current tax charge	-	-
Deferred tax		
Originating and reversal of timing differences	-	-
Effect of changes in tax rate on opening liability	-	-
Changes in recoverable amounts of deferred tax assets	-	-
	-	-
Tax on profit on ordinary activities	-	-

Factors affecting current tax charge

The current tax charge for the year is lower (2011 higher) than the standard rate of corporations tax in the UK. The differences are explained below.

	2012	2011
Profit on ordinary activities before tax	25,252	2,720
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 per cent (2011 28 per cent)	6,565	762
Effect of		
Group relief (received)surrendered for nil payment –		
Current year	(649)	2,802
Permanent difference	(5,916)	(3,564)
Total current tax charge	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. TAX (continued)

Factors affecting future tax 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

Deferred tax

At the balance sheet date the Company had unused tax losses of £nil (2011 £nil) available for offset against future profits

4. DIRECTORS' EMOLUMENTS AND STAFF COSTS

No Directors received any remuneration during the period in respect of their services to the Company (2011 £nil) The Company had no employees during either the current or prior period

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INVESTMENTS

a) Shares in group undertakings

	Cost £000	Provisions £000	Value £000
At 1 April 2011	23,001	(10,853)	12,148
At 31 March 2012	**23,001**	**(10,853)**	**12,148**

On 11 November 2011 Citigroup signed definitive agreements to sell the Recorded Music and Music Publishing divisions The sales price was subsequently allocated by country and for certain legal entities on a fair market value basis (which is considered to approximate net realisable value). This triggered an impairment review of the carrying value of the Company's assets as the sales agreements provided information from a third party of the recoverable amount of the Company's assets

In accordance with FRS 11 'Impairment of Fixed Assets and Goodwill', the carrying values of the investments have been compared to their recoverable amounts, represented by their net realisable value, and impaired where appropriate The Directors do not consider value in use to be materially different to the net realisable value of the investment, and therefore use the investment's net recoverable value as its recoverable amount

In the opinion of the Directors the value of the investments is at least equal to their carrying value.

b) Principal Subsidiary Undertakings

The following are the principal subsidiary undertakings in which the Company had a shareholding at 31 March 2012

Subsidiary undertakings	Country of Incorporation	Class of shares	Proportion Held	Nature of business
EMI Music Publishing Holdings (Italy) Limited*	Italy	Ordinary	100%	Music Publishing
EMI Music Italy Holdco Limited *	Italy	Ordinary	100%	Music

* Held directly

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. SHARE CAPITAL

	2012 £000	2011 £000
Allotted, called up and fully paid		
2000 'A' ordinary shares of £1 each	2	2
128,945,478 ordinary shares of £1 each	128,945	128,945
	128,947	128,947

7. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital	Profit & Loss Reserve	Total
	£000	£000	£000
At 1 April 2011	128,947	24,051	152,998
Profit for the year	-	25,252	25,252
At 31 March 2012	**128,947**	**49,303**	**178,250**

8. DEBTORS & CREDITORS

	2012 £000	2011 £000
DEBTORS		
Amounts due from fellow Group undertakings falling due·		
Within one year	415,306	392,704
Interest receivable from Group subsidiary undertakings	3,653	1,003
	418,959	393,707
CREDITORS		
Amounts due to fellow Group undertakings falling due		
Within one year	(252,857)	-
After more than one year	-	(252,857)
	(252,857)	(252,857)

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. PARENT UNDERTAKING

The ımmedıate parent undertakıng of the Company ıs EMI Group Worldwıde The ultımate parent undertakıng and controllıng party ıs Cıtıgroup Inc , a company regıstered ın Delaware, Unıted States of Amenca

The parent undertakıng of the largest and smallest Group to consolıdate these financıal statements ıs EMI Group Worldwıde Holdıngs Lımıted Copıes of the consolıdated financıal statements of EMI Group Worldwıde Holdıngs Lımıted for the year ended 31 March 2012 can be obtaıned from the Company's regıstered address, 27 Wnghts Lane, London W8 5SW

10. AUDITOR'S REMUNERATION

The audıtor's remuneratıon ıs borne by an ıntermedıate parent undertakıng EMI Group Lımıted and ıs as follows

	2012	**2011**
	£	**£**
Audıt of these financıal statements	4,000	4,000

Amounts receıvable by the Company's audıtors and theır assocıates ın respect of servıces to the Company and ıts assocıates, other than the audıt of the Company's financıal statements, have not been dısclosed as the ınformatıon ıs requıred ınstead to be dısclosed on a consolıdated basıs ın the consolıdated financıal statements of EMI Group Worldwıde Holdıngs Lımıted, the Company's ıntermedıate parent.

11. TERMS OF INTERCOMPANY BALANCES

Loans to and from fellow Group undertakıngs and the parent undertakıng are classıfied as current as they are repayable on demand. Interest rates on ıntercompany loans have been agreed between partıes on a loan by loan basıs

12. SUBSEQUENT EVENTS

The Musıc Publıshıng busıness sale completed on 29 June 2012 (refer to the Dırectors' Report for further detaıls) Thıs Company forms part of the Recorded Musıc busıness and has had no change ın ultımate owner.