

**EMI Group Finance Limited**

**Directors' report and financial  
statements**

**Registered number 806281**

**31 March 2011**

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## **DIRECTORS' REPORT**

The directors present the Directors' Report and financial statements for the year ended 31 March 2011.

### **Principal Activities and Review of the Business**

EMI Group Finance Limited (the "Company") is a wholly owned subsidiary of EMI Group Worldwide Holdings Limited group (the "Group") Citigroup Inc is the ultimate parent undertaking.

The principal activity of the Company is that of a finance company. There has not been any change to the principal activity of the Company during the year ended 31 March 2011 or subsequently The directors do not anticipate any change to the principal activity of the Company during the next year.

The Company operates as part of the Group and all of its transactions are with fellow Group undertakings As such its activities are dependent on the activities of the Group as a whole.

	2011	2010	Change
	£000	£000	%
(Loss)/Profit before tax	(186,957)	61,961	(401.7)
(Loss)/Profit after tax	(186,957)	61,914	(402.0)
Shareholders' funds	45,544	232,501	(80.4)

As stated in the profit and loss account on page 6 the Company made a loss before tax of £186,957,000 in the year to 31 March 2011 compared with the previous year's profit before tax of £61,961,000 This represents a decrease of 401.7% and is mainly due to the write off of intercompany receivables in the current year.

In the balance sheet shown on page 7, the net assets of the Company have decreased by 80.4% due to the decrease in net intercompany receivables as a result of the write off which was partially offset by a increase in cash at bank and in hand Shareholders' funds have decreased by 80.4% as a result of retained loss for the year

### **Going concern**

As set out in more detail in note 1 the Directors have assessed the current and expected future funding position of the Company After appropriate consideration they have concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements

### **Principal Risks and Uncertainties**

The Company operates as part of the Group and all of its transactions are with fellow Group undertakings As such its activities are dependent on the activities of the Group as a whole

The risks and uncertainties facing the Company are linked to those of the Group. A detailed discussion of the Group risks and uncertainties is contained in EMI Group Worldwide Holdings Limited's annual report

## **DIRECTORS' REPORT (continued)**

### **Dividends**

The directors do not recommend payment of a dividend (2010 £nil)

### **Directors' Qualifying Third Party Indemnity Provisions**

Certain directors benefit from qualifying third party indemnity provisions during the financial year

### **Donations**

Grants and charitable donations made during the year amounted to £nil (2010: £nil) There were no political contributions made during the year (2010: £nil)

### **Directors**

The directors throughout the year and subsequently were as follows:

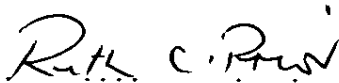
S P Naughton	(Appointed 16 July 2010)
A P Chadd	(Resigned 19 July 2010)
R C Faxon	(Appointed 16 December 2010)
R C Prior	(Appointed 16 December 2010)

### **Disclosure of information to the auditor**

The directors who held office at the date of approval of this Directors' Report confirms that, so far as they are each 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

7 November 2011

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).

The financial statements are required by law to 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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 AUDITORS' REPORT TO THE MEMBERS OF EMI GROUP FINANCE LIMITED**

We have audited the financial statements of EMI Group Finance Limited for the year ended 31 March 2011 set out on pages 6 to 14. 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](http://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 loss 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 AUDITORS' REPORT TO THE MEMBERS OF EMI GROUP FINANCE LIMITED**

### **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



H Green (Senior Statutory Auditor)

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square  
London E14 5GL  
United Kingdom

**7** November 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011**

	Notes	2011 £000	2010 £000
Administrative expenses		(234)	(245)
Amounts written off intercompany receivables	8	(218,095)	-
Other operating income	2	-	5,348
Other operating expenses	3	(4,585)	-
		<hr/>	<hr/>
<b>OPERATING (LOSS)/PROFIT</b>		<b>(222,914)</b>	<b>5,103</b>
		<hr/>	<hr/>
Interest receivable	4	103,868	98,433
Interest payable	5	(67,911)	(41,575)
		<hr/>	<hr/>
		35,957	56,858
		<hr/>	<hr/>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(186,957)</b>	<b>61,961</b>
		<hr/>	<hr/>
Taxation	6	-	(47)
		<hr/>	<hr/>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>(186,957)</b>	<b>61,914</b>
		<hr/>	<hr/>

All operating (loss)/profit is from continuing operations

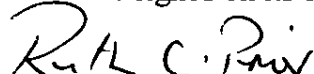
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2011**

There are no recognised gains or losses attributable to the shareholders of the Company other than the loss of £186,957,000 (2010 profit of £61,914,000)

**BALANCE SHEET - 31 MARCH 2011**

	Notes	2011 £000	2010 £000
<b>CURRENT ASSETS</b>			
DEBTORS.			
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts falling due within one year	8	6,924,414	7,068,971
Amounts falling due after more than one year	8	2,016	7,314
Cash at bank and in hand and cash deposits		146,993	64,375
		<hr/>	<hr/>
		7,073,423	7,140,660
		<hr/>	<hr/>
<b>CREDITORS</b>			
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors and accruals	9	(6,611,914)	(6,491,751)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>461,509</b>	<b>648,909</b>
		<hr/>	<hr/>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Amounts owed to fellow subsidiary undertakings		(415,965)	(416,408)
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>45,544</b>	<b>232,501</b>
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	83,936	83,936
Profit and loss account	11	(38,392)	148,565
		<hr/>	<hr/>
<b>SHAREHOLDER'S FUNDS</b>	11	<b>45,544</b>	<b>232,501</b>
		<hr/>	<hr/>

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



R C Prior  
Director

7<sup>th</sup> November 2011

The notes on page 8 to 14 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

#### **Going Concern**

EMI Group Finance Limited has made a loss for the year of £187.0 million (2010: profit of £61.9 million) and has net current assets of £461.5 million (2010: £648.9 million) at the reporting date. The Company operates as part of the EMI Group Worldwide Holdings Limited group ("the Group") and has provided a guarantee to the Group's lender, as such the Company is affected by the terms of the Group's banking facilities. The continued availability of existing bank facilities requires the Group to comply with the covenants set out in those bank facilities.

On 1 February 2011, the Group was acquired by Citibank and the Group's debt was significantly reduced. This has resulted in the Group's lender and its sole shareholder both being part of the US finance institution Citigroup. Immediately following the acquisition, Citigroup completed a recapitalisation of the EMI Group Worldwide Holdings Limited, resulting in the significant reduction of debt from £3.2 billion of bank debt and £1.7 billion of inter-company debt, to £1.2 billion of total debt for the Group. The strengthened balance sheet combined with continued strong operating performance means that the Group is able to meet its ongoing working capital needs and its current debt service obligations under the finance facility agreements to which the Company and a number of its subsidiaries are party to.

After considering the financial projections, the financing facilities and their covenants the Directors have concluded that they have a reasonable expectation that the Group as a whole and the Company have adequate resources to continue as a going concern for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and 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 12.

#### **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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. OTHER OPERATING INCOME**

	2011 £000	2010 £000
Exchange gain on foreign currency balances	-	5,348
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**3. OTHER OPERATING EXPENSES**

	2011 £000	2010 £000
Exchange loss on foreign currency balances	4,585	-
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**4. INTEREST RECEIVABLE**

	2011 £000	2010 £000
Interest receivable on.		
Bank deposits	65	26
Loans to fellow Group undertakings	103,803	98,407
	<hr/>	<hr/>
	<b>103,868</b>	<b>98,433</b>
	<hr/>	<hr/>

**5. INTEREST PAYABLE**

	2011 £000	2010 £000
Interest payable on.		
Bank overdrafts	2	11
Loans from fellow Group undertakings	58,611	41,564
Other interest	9,298	-
	<hr/>	<hr/>
	<b>67,911</b>	<b>41,575</b>
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. TAX

Tax on (loss)/profit on ordinary activities	2011 £000	2010 £000
<b>UK corporation tax</b>		
UK corporation tax on (losses)/profits of the year	-	47
Payments in respect of group relief - Current year	-	-
Payments in respect of group relief - Prior year	-	-
Double Taxation Relief	-	(47)
<b>Foreign tax</b>		
Current year	-	47
Adjustments in respect of previous year	-	-
<b>Total current tax charge</b>	<u>-</u>	<u>47</u>
<b>Deferred tax</b>		
Originating and reversal of timing differences	-	-
Effect of changes in tax rate on opening liability	-	-
Changes in recoverable amounts of deferred tax assets	-	-
<b>Tax on (loss)/profit on ordinary activities</b>	<u>-</u>	<u>47</u>
<b>Factors affecting current tax charge</b>		
The current tax charge for the year is higher (2010 lower) than the standard rate of corporations tax in the UK. The differences are explained below		
(Loss)/profit on ordinary activities before tax	<u>(186,957)</u>	<u>61,961</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010. 28%)	(52,348)	17,349
<i>Effect of</i>		
Group relief received for nil payment – Current year	(5,596)	(17,302)
Permanent difference	57,944	
<b>Total current tax charge</b>	<u>-</u>	<u>47</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. TAX (continued)

#### Factors affecting future tax charge

As part of the 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. Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 23 per cent by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

#### Deferred tax

At the balance sheet date the Company had unused tax losses of £nil (2010: £nil) available for offset against future profits.

### 7. DIRECTORS' EMOLUMENTS AND STAFF COSTS

No director received any remuneration during the year in respect of his services to the Company (2010: £nil). The Company had no employees during either the current or prior year.

### 8. DEBTORS

	2011 £000	2010 £000
Amounts falling due within one year		
Amounts due from fellow Group undertakings	7,130,209	7,059,391
Interest receivable from fellow Group undertakings	12,300	9,580
Provision against amounts due from fellow Group undertakings	(218,095)	-
	<u>6,924,414</u>	<u>7,068,971</u>
Amounts falling due after more than one year		
Amounts due from fellow Group undertakings	2,016	7,314
<b>Total debtors</b>	<u>6,926,430</u>	<u>7,076,285</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. CREDITORS AND ACCRUALS

	2011 £000	2010 £000
Amounts due to fellow Group undertakings	6,584,819	6,490,385
Interest payable to fellow Group undertakings	27,077	1,358
Other creditors and accruals	18	8
	<hr/>	<hr/>
	<b>6,611,914</b>	<b>6,491,751</b>
	<hr/>	<hr/>

### 10. SHARE CAPITAL

	2011 £	2010 £
Allotted, called up and fully paid: 83,936,000 ordinary shares of £1 each	83,936,000	83,936,000

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

	Share Capital	Profit & Loss Account	Total
	£000	£000	£000
At 1 April 2010	83,936	148,565	232,501
Loss for the year	-	(186,957)	(186,957)
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<b>At 31 March 2011</b>	<b>83,936</b>	<b>(38,392)</b>	<b>45,544</b>
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### 12. PARENT UNDERTAKING

The immediate parent undertaking of the Company is EMI Group Limited (formerly EMI Group plc). The ultimate parent undertaking and controlling party is Citigroup Inc., a company registered in Delaware, United States of America.

The parent undertaking of the largest and smallest Group to consolidate these financial statements is EMI Group Worldwide Holdings Limited. Copies of the consolidated financial statements of EMI Group Worldwide Holdings Limited for the year ended 31 March 2011 can be obtained from the Company's registered address, 27 Wrights Lane, London W8 5SW.

Prior to the sale of the group to Citigroup Inc., the Company's previous ultimate parent undertaking and controlling party was TFCP Holdings Limited, a company registered in Guernsey.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13. AUDITORS' REMUNERATION

The auditor's remuneration is borne by the immediate parent undertaking EMI Group Limited and is as follows:

	2011	2010
	£	£
Audit of these financial statements	4,000	20,000

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required, instead, to be disclosed on a consolidated basis in the consolidated financial statements of EMI Group Worldwide Holdings Limited, the Company's intermediate parent

### 14. TERMS OF INTERCOMPANY BALANCES

Interest bearing loans to and from fellow Group undertakings and parent undertakings are repayable on demand and attract interest at floating rates. Interest free loans to and from fellow Group undertakings and parent undertakings are repayable after more than one year.

### 15. CONTINGENT LIABILITIES

EMI Group Finance Limited acceded, on 28 January 2008, to a debenture dated 30 August 2007 (as amended, supplemented, novated, extended, restated or varied from time to time) and made between, EMI Group Worldwide Holdings Limited (formerly known as Maltby Acquisitions Limited) and Citibank, N A, London Branch as Security Agent, pursuant to which the company charged, by way of mortgage or fixed charge or assign by way of security (as appropriate) all of their right, title and interest in certain assets, charge all or substantially all of their present and future assets and undertaking by way of first floating charge in favour of the Security Agent to secure the repayment of the Secured Liabilities (as defined therein) and covenant that they will, on demand, pay and discharge the Secured Liabilities.

### 16. SUBSEQUENT EVENTS

In June 2011, the Board of Directors of EMI Group Global Limited announced that they had initiated a process to explore and evaluate potential strategic alternatives, including a possible sale, recapitalisation or initial public offering of its wholly owned subsidiary, EMI Group Worldwide Holdings Ltd and its controlled entities including the Company.

Other than as noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the Company in future financial years.