

EMI Group Finance Limited

**Directors' report and financial
statements**

Registered number 806281

31 March 2012

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DIRECTORS' REPORT

The Directors present the Directors' Report and financial statements for the year ended 31 March 2012

Principal Activities and Review of the Business

EMI Group Finance Limited (the "Company") is a subsidiary of EMI Group Limited and is a part of the EMI Group Worldwide Holdings Limited Group (the "Group") Citigroup Inc ("Citigroup") 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 2012 or subsequently The Directors do not anticipate any change to the principal activity of the Company during the next year

On 11 November 2011, Citigroup signed definitive agreements to sell the Group's Recorded Music business to Universal Music Group and Music Publishing business to an investor Group that comprised of Sony Corporation of America, the Estate of Michael Jackson, Mubadala Development Company PJSC, Jynwel Capital Limited, the Blackstone Group's GSO Capital Partners LP and David Geffen (the 'Investor Group'). The agreements do not take effect until clearance is received from various Competition authorities and other conditions are met. The Music Publishing business sale completed on 29 June 2012 This Company forms part of the Recorded Music business and has had no change in ultimate owner

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.

	2012	2011	Change
	£000	£000	%
Loss before tax	(20,335)	(186,957)	89.12
Loss after tax	(20,335)	(186,957)	89.12
Shareholders' funds	25,209	45,544	(44.65)

As stated in the profit and loss account on page 7 the Company made a loss before tax of £20,335,000 in the year to 31 March 2012 compared with the previous year's loss before tax of £186,957,000 This represents an increase of 89.12 per cent and is mainly due to the lower write off of intercompany receivables in the current year

In the balance sheet shown on page 8, the net assets of the Company have decreased by 44.65 per cent due to the decrease in intercompany receivables and an increase in the provision against intercompany receivables along with a decrease in cash at bank and in hand Shareholders' funds have decreased by 44.65 per cent as a result of retained loss for the year

DIRECTORS' REPORT (continued)

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.

Dividends

The Directors do not recommend payment of a dividend (2011: £nil).

Directors' Qualifying Third Party Indemnity Provisions

Certain Directors benefited from qualifying third party indemnity provisions during the financial year.

Donations

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

Directors

The Directors throughout the year and subsequently were as follows:

S P Naughton
R C Faxon
R C Prior

Disclosure of information to the auditor

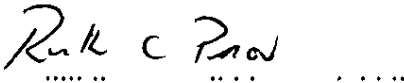
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

DIRECTORS' REPORT (continued)

Disclosure of information to the auditor (continued)

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

INDEPENDENT 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 2012 set out on pages 7 to 15. 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 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its 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



Hugh Green (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

United Kingdom

24 August 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 £000	2011 £000
Administrative expenses		(234)	(234)
Amounts written off intercompany receivables	8	(25,321)	(218,095)
Other operating income	2	4,230	-
Other operating expenses	3	-	(4,585)
		<hr/>	<hr/>
OPERATING LOSS		(21,325)	(222,914)
		<hr/>	<hr/>
Interest receivable	4	335,331	103,868
Interest payable	5	(334,341)	(67,911)
		<hr/>	<hr/>
		990	35,957
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(20,335)	(186,957)
		<hr/>	<hr/>
Taxation	6	-	-
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(20,335)	(186,957)
		<hr/>	<hr/>

All operating losses are from continuing operations

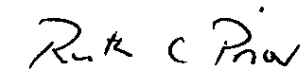
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2012

There are no recognised gains or losses attributable to the shareholders of the Company other than the loss of £20,335,000 (2011 £186,957,000)

BALANCE SHEET AS AT 31 MARCH 2012

	Notes	2012 £000	2011 £000
CURRENT ASSETS			
DEBTORS			
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts falling due within one year	8	5,621,087	6,924,414
Amounts falling due after more than one year	8	-	2,016
Cash at bank and in hand and cash deposits		81,768	146,993
		<hr/>	<hr/>
		5,702,855	7,073,423
		<hr/>	<hr/>
CREDITORS			
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors and accruals	9	(5,607,611)	(6,611,914)
		<hr/>	<hr/>
NET CURRENT ASSETS		95,244	461,509
		<hr/>	<hr/>
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amounts owed to fellow subsidiary undertakings	9	(70,035)	(415,965)
		<hr/>	<hr/>
NET ASSETS		25,209	45,544
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	10	83,936	83,936
Profit and loss account	11	(58,727)	(38,392)
		<hr/>	<hr/>
SHAREHOLDER'S FUNDS	11	25,209	45,544
		<hr/>	<hr/>

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
Director

The notes on page 9 to 15 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 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

	2012 £000	2011 £000
Exchange gain on foreign currency balances	4,230	-
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3. OTHER OPERATING EXPENSES

	2012 £000	2011 £000
Exchange loss on foreign currency balances	-	4,585
	<hr/>	<hr/>

4. INTEREST RECEIVABLE

	2012 £000	2011 £000
Interest receivable on:		
Bank deposits	46	65
Loans to fellow Group undertakings	335,285	103,803
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	335,331	103,868
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5. INTEREST PAYABLE

	2012 £000	2011 £000
Interest payable on:		
Bank overdrafts	-	2
Loans from fellow Group undertakings	334,341	58,611
Other interest	-	9,298
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	334,341	67,911
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NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAX

Tax on (loss)/profit on ordinary activities	2012 £000	2011 £000
UK corporation tax		
UK corporation tax on (losses)/profits of the year	-	-
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 (loss)/profit on ordinary activities	-	-
Factors affecting current tax charge		
The current tax charge for the year is higher (2011: higher) than the standard rate of corporations tax in the UK. The differences are explained below		
Loss on ordinary activities before tax	(20,335)	(186,957)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011: 28%)	(5,287)	(52,348)
<i>Effect of</i>		
Group relief surrendered/(received) for nil payment – Current year	7,982	(5,596)
Permanent difference	(2,695)	57,944
Total current tax charge	-	-

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.

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% 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.

7. DIRECTORS' EMOLUMENTS AND STAFF COSTS

No Director received any remuneration during the year in respect of his services to the Company (2011: £nil). The Company had no employees during either the current or prior year.

8. DEBTORS

	2012 £000	2011 £000
Amounts falling due within one year.		
Amounts due from fellow Group undertakings	5,818,809	7,130,209
Interest receivable from fellow Group undertakings	45,694	12,300
Provision against amounts due from fellow Group undertakings	(243,416)	(218,095)
	<u>5,621,087</u>	<u>6,924,414</u>
Amounts falling due after more than one year		
Amounts due from fellow Group undertakings	-	2,016
	<u>5,621,087</u>	<u>6,926,430</u>
Total debtors	5,621,087	6,926,430

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. CREDITORS AND ACCRUALS

	2012 £000	2011 £000
Amounts falling due within one year		
Amounts due to fellow Group undertakings	5,561,685	6,584,819
Interest payable to fellow Group undertakings	45,848	27,077
Other creditors and accruals	78	18
	<hr/>	<hr/>
	5,607,611	6,611,914
Amounts falling due after more than one year		
Amounts due to fellow Group undertakings	70,000	-
Interest payable to fellow Group undertakings	35	-
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Total creditors	5,677,646	6,611,914
	<hr/>	<hr/>

10. SHARE CAPITAL

	2012 £	2011 £
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 2011	83,936	(38,392)	45,544
Loss for the year	-	(20,335)	(20,335)
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At 31 March 2011	83,936	(58,727)	25,209
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NOTES TO THE FINANCIAL STATEMENTS (continued)

12. PARENT UNDERTAKING

The immediate parent undertakings of the Company are EMI Group Limited (formerly EMI Group plc) holding 83,935,900 shares and EMI Group Nominees Limited holding 100 shares. 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 2012 can be obtained from the Company's registered address, 27 Wrights Lane, London W8 5SW.

13. AUDITORS' REMUNERATION

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

	2012	2011
	£	£
Audit of these financial statements	4,000	4,000

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

Loans to and from fellow Group undertakings and the parent undertaking are classified as current as they are repayable on demand. Interest rates on intercompany loans have been agreed between parties on a loan by loan basis.

15. SUBSEQUENT EVENTS

The Music Publishing business sale completed on 29 June 2012 (refer to the Directors' Report for further details). This Company forms part of the Recorded Music business and has had no change in ultimate owner.

Other than the 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.