

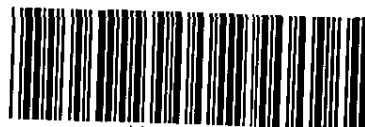
**EMI Group International Holdings Limited**

**Director's report and financial  
statements**

**Registered number 1407770**

**31 March 2011**

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## **DIRECTORS' REPORT**

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

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

EMI Group International Holdings Limited (the "Company") is a wholly owned subsidiary of EMI Group Worldwide and is part of the EMI Group Worldwide Holdings Limited Group (the "Group") (formerly Maltby Acquisitions Limited) Citigroup Inc is the ultimate parent undertaking

The principal activity of the Company is that of an investment holding company. There has not been any change to the principal activity of the Company during the year ended 31 March 2011 or subsequently. The director does not anticipate any change to the principal activity of the Company during the next year.

The Company operates as part of the EMI Group Worldwide Holdings Limited 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 before tax	(38,463)	(230,024)	83.28
Loss after tax	(38,463)	(230,024)	83.28
Shareholders' deficit	(521,830)	(483,367)	(7.96)

As stated in the profit and loss account on page 6 the Company made a loss before tax of £38,463,000 in the year to 31 March 2011 compared with the previous year's loss before tax of £230,024,000 This is due to larger impairment of investments in the prior year

In the balance sheet shown on page 7, the net liabilities of the Company have increased by 7.96% as intercompany liabilities have increased Shareholders' deficit has increased by 7.96% as a result of the 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

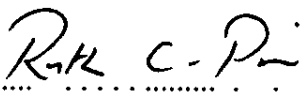
S P Naughton	(Appointed 16 July 2010)
A P Chadd	(Resigned 19 July 2010)
R C Faxon	(Appointed 16 December 2010)
R C Prior	(Appointed 16 December 2010)

### **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 aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he or she ought to have taken as a director 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

15 December 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 AUDITOR'S REPORT TO THE MEMBERS OF EMI GROUP INTERNATIONAL HOLDINGS LIMITED**

We have audited the financial statements of EMI Group International Holdings Limited for the year ended 31 March 2011 set out on pages 6 to 18. 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 AUDITOR'S REPORT TO THE MEMBERS OF EMI GROUP  
INTERNATIONAL HOLDINGS 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.

A handwritten signature in black ink, consisting of a stylized 'H' and 'G' followed by a long horizontal flourish.

H Green (Senior Statutory Auditor)

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

*Chartered Accountants*

15 Canada Square

London E14 5GL

United Kingdom

**19** December 2011

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

	Notes	2011 £000	2010 £000
Amounts written off investments	8	(24,685)	(218,068)
Amounts written off intercompany receivables	9	(1,691)	-
		<hr/>	<hr/>
<b>OPERATING LOSS</b>		<b>(26,376)</b>	<b>(218,068)</b>
Interest receivable	2	411	429
Interest payable	3	(12,498)	(12,385)
		<hr/>	<hr/>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(38,463)</b>	<b>(230,024)</b>
Taxation	4	-	-
		<hr/>	<hr/>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>(38,463)</b>	<b>(230,024)</b>
		<hr/>	<hr/>

All operating losses are from continuing operations

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

There are no recognised gains and losses attributable to the shareholders of the Company other than the loss of £38,463,000 (2010: loss £230,024,000)

**BALANCE SHEET - 31 MARCH 2011**

	Notes	2011 £000	2010 £000
<b>FIXED ASSETS</b>			
Investments	8	1,223,783	1,248,468
		<hr/>	<hr/>
<b>CURRENT ASSETS DEBTORS</b>			
Amounts falling due within one year	9	27,663	27,250
Amounts falling due after more than one year	9	406,048	407,739
		<hr/>	<hr/>
		433,711	434,989
<b>CURRENT LIABILITIES: CREDITORS</b>			
<b>AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Amount due to fellow subsidiary undertaking		(839,314)	(830,814)
Other creditors and accruals		(10)	(10)
		<hr/>	<hr/>
		(839,324)	(830,824)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		<b>(405,613)</b>	<b>(395,935)</b>
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>818,170</b>	<b>852,633</b>
		<hr/>	<hr/>
<b>CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Redeemable shares	11	(1,336,000)	(1,336,000)
Amount due to fellow subsidiary undertaking		(4,000)	-
		<hr/>	<hr/>
		(1,340,000)	(1,336,000)
		<hr/>	<hr/>
<b>NET LIABILITIES</b>		<b>(521,830)</b>	<b>(483,367)</b>
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	172,136	172,136
Profit and loss account	10	(693,966)	(655,503)
		<hr/>	<hr/>
<b>SHAREHOLDERS' DEFICIT</b>	10	<b>(521,830)</b>	<b>(483,367)</b>
		<hr/>	<hr/>

These financial statements were approved for issue by the Board of Directors on 15 December 2011 and were signed on its behalf by

R C Prior  
Director

*R C Prior*

The notes on pages 8 to 18 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**

EMI Group International Holdings Limited has made a loss for the year of £38.5 million (2010: £230.0 million) and has net current liabilities of £405.6 million (2010: £395.9 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.

The Company has prepared its own forecasts for a period of more than twelve months which show its dependency for its working capital on funds provided to it by EMI Group Worldwide Holdings Limited ("EMI"). Based on these forecasts EMI has indicated that for the foreseeable future intends to provide such support to the Company, as it needs (and in particular will not seek repayment of amounts already made available). On 11 November 2011 Citibank entered into a share purchase agreement with Universal/a Sony-led consortium in order to dispose of the Group's Recorded Music/Music Publishing business to which the Company pertains (note 14). The agreement will not take effect until clearance is received from Competition authorities, which is expected to take between 6-12 months, and other conditions are met. On completion of the sale the Group's debt will be replaced by the buyer's own facilities. Irrespective of any consequential changes to the guarantee provided over the Group's debt, as the Company is not a direct debtor to Citigroup the Directors believe that this change of control will not impact its funding structure. The Company's forecasts were shared with the incoming controlling shareholder during the process of finalising the sale agreements and the Directors have no reason to doubt that it understands the level of financial support required and intends to manage the business as a going concern. The directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due.

## **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

#### **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.

#### **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)

### 1. ACCOUNTING POLICIES (continued)

#### Classification of financial instruments issued by the Company

Following the adoption of FRS 25, 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.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

### 2. INTEREST RECEIVABLE

	2011 £000	2009 £000
Interest receivable on:		
Loans to fellow Group undertakings	411	429
	<hr/>	<hr/>

### 3. INTEREST PAYABLE

	2011 £000	2010 £000
Interest payable on:		
Loans from fellow Group undertakings	12,498	12,385
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. TAX

<b>Tax on loss on ordinary activities</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>UK corporation tax</b>		
Payments in respect of group relief - Current year	-	-
Payments in respect of group relief - Prior year	-	-
	-	-
<b>Foreign tax</b>		
Current year	-	-
Adjustments in respect of previous periods	-	-
	-	-
<b>Total current tax charge</b>	-	-
<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 on ordinary activities</b>	-	-
<b>Factors affecting current tax charge</b>		
The current tax charge for the year is higher (2010 higher) than the standard rate of corporations tax in the UK. The differences are explained below.		
Loss on ordinary activities before tax	(38,463)	(230,024)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010: 28%)	(10,770)	(64,407)
<i>Effect of</i>		
Group relief surrendered for nil payment – current year	(2,320)	3,348
Permanent differences	13,090	61,059
<b>Total current tax charge</b>	-	-

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. 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 £2,885,552 (2010: £12,257,066) available for offset against future profits. No deferred tax asset has been recognised on the grounds that there is currently insufficient evidence for this asset to be realised (2010: £nil).

### 5. CONTINGENT LIABILITIES

EMI Group International Holdings 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.

### 6. DIRECTORS' EMOLUMENTS AND STAFF COSTS

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. AUDITOR'S REMUNERATION

The auditor's remuneration is borne by the intermediate parent undertaking EMI Group Ltd 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.

### 8. INVESTMENTS

#### a) SHARES IN GROUP UNDERTAKINGS

	Cost £000	Provisions £000	Net Book Value £000
At 1 April 2010	1,696,625	(448,157)	1,248,468
Impairment	-	(24,685)	(24,685)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2011</b>	<b>1,696,625</b>	<b>(472,842)</b>	<b>1,223,783</b>
	<hr/>	<hr/>	<hr/>

During the year the Company identified impairment indicators under FRS 11 triggering an impairment review

In accordance with FRS 11 'Impairment of Fixed Assets and Goodwill' the carrying values of the assets have been compared to their recoverable amounts, represented by their value in use to the Company, resulting in an impairment of £24.7m (2010: £218.1m). The value in use has been derived from discounted cash flow projections using a nominal discount rate between 9.4% and 10.1% for the recorded music segment on a post-tax basis. For the Company's investments in the music publishing segment nominal discount rates between 9.3% and 9.8% were used on a post-tax basis. For the recorded music segment an annual growth rate of 0% has been assumed over five years plus a terminal value to determine the net present value of the cash flows into perpetuity at the end of the five year period based on a growth rate of 0%, reflecting the Company's view of the outlook for the business. For the music publishing segment annual growth rates between 2.5% and 3% have been assumed over a 5 year period, whilst a terminal growth rate of 2.8% was applied.

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. INVESTMENTS (continued)

#### b) PRINCIPAL SUBSIDIARY UNDERTAKINGS

The following were the principal subsidiary undertakings of EMI Group International Holdings Limited at 31 March 2011.

Subsidiary undertakings	Country of Incorporation	Proportion held	Nature of business
Virgin Australia Pty Ltd	Australia	100%	Records
Virgin Australia Music Pty Ltd	Australia	100%	Music Publishing
Virgin Belgium Publishing SA	Belgium	100%	Music Publishing
Virgin Benelux Publishing SA	Netherlands	100%	Music Publishing
Virgin Records Canada Inc	Canada	100%	Records
Virgin Vision Canada Inc	Canada	100%	Video
Virgin Records Denmark Aps	Denmark	100%	Marketing & Promotion
Ediciones Musicales Virgin SA	Spain	100%	Music Publishing
Diski Virgin EPE	Greece	100%	Records
Virgin Music EPE	Greece	100%	Music Publishing
Virgin Japan Ltd	Japan	100%	Records
Virgin Records (NZ) Ltd	New Zealand	100%	Marketing & Promotion
Virgin Music AB	Sweden	100%	Music Publishing
Virgin Music Publishers	Germany	100%	Music Publishing
Virgin Records America Inc	USA	100%	Records
Virgin Music America Inc	USA	100%	Holding Company
Cardiac Records Inc	USA	100%	Records
Caroline Records Calif Inc	USA	100%	Records
Charisma Records America Inc	USA	100%	Records
Caroline Records Inc	USA	100%	Records
EMI Recorded Music Holdings Inc	USA	100%	Holding Company
Virgin Music Inc	USA	100%	Music Publishing
Virgin Songs Inc	USA	100%	Music Publishing
Virgin Records Inc	USA	100%	Records
Virgin Records (Hong Kong) Ltd	Hong Kong	100%	Records
Virgin Music Publishers (HK) Ltd	Hong Kong	100%	Music Publishing
Virgin Music Japan Ltd	Japan	100%	Music Publishing
EMI Overseas Holdings Ltd	UK	100%	Holding Company
EMI Group Holdings BV	Netherlands	100%	Holding Company

The Company directly holds shares in EMI Group Holdings BV and EMI Overseas Holdings Ltd. The other subsidiary undertakings are held indirectly



## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. DEBTORS

	2011 £000	2010 £000
Amounts falling due within one year.		
Amounts due from fellow Group undertakings	27,663	27,250
Amounts falling due after more than one year.		
Amounts due from fellow Group undertakings	407,739	407,739
Provision against amounts due from fellow Group undertakings	(1,691)	-
	406,048	407,739

### 10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital £000	Profit & Loss Reserve £000	Total £000
At 31 March 2010	172,136	(655,503)	(483,367)
Loss for the year	-	(38,463)	(38,463)
<b>At 31 March 2011</b>	172,136	(693,966)	(521,830)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 11. SHARE CAPITAL

	2011	2010
	£	£
Allotted, called up and fully paid:		
172,136,100 ordinary shares of £1 each	172,136,100	172,136,100
1,335,999,900 redeemable ordinary shares of £1 each	1,335,999,900	1,335,999,900

Each of the redeemable ordinary shares ranks *pari passu* in all respects with the ordinary shares except in respect of redemption rights

Both the Company and the holders of the redeemable ordinary shares have the right at any time to redeem all or any of the redeemable ordinary shares. No premium is payable on redemption. The directors of the company which owns 100% of the redeemable ordinary shares, EMI Group Worldwide, have formally waived the right to redeem the shares until 31/03/12.

The redeemable ordinary shares have been treated as debt rather than equity under FRS 25 and have therefore been included in Creditors due after more than one year.

### 12. PARENT UNDERTAKING

The immediate parents of the Company are EMI Group Worldwide holding 172,136,099 shares and EMI Nominees Limited holding 1 share. 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.

### 13. TERMS OF INTERCOMPANY BALANCES

Interest bearing loans to and from fellow Group undertakings and the parent undertaking 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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14. SUBSEQUENT EVENTS

On November 11th 2011, Citigroup Inc signed definitive agreements to sell EMI Recorded Music to Universal Music Group and EMI Music Publishing to an investor Group (the '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 transactions are subject to certain closing conditions, including the approval by relevant regulatory authorities and the separation of the two businesses. Additionally the sale of EMI Recorded Music is conditional on Citigroup taking over the responsibility for EMI's UK defined benefits pension scheme

The sale agreements specify that the transactions must be completed in 22 months for Recorded Music and 12 months for Music Publishing. Failure to complete the sale on these specified timings will result in one or both businesses being retained by Citigroup.

On completion of the sale, the buyers will repay the outstanding debt from Citigroup for the business they are buying. After the completion of the sales, Universal Music Group will finance Recorded Music using its existing facilities. The Investor Group will raise new financing to fund Music Publishing

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