Jaydone Limited

Directors' Report and Financial Statements

31 March 2012

Registered No 04631083

Regıstered No 04631083

Directors

A Brown (appoınted 28 September 2012)
R M Constant (appoınted 28 September 2012)
B J Muır (appoınted 28 September 2012)
D N Kassler (resıgned 28 September 2012)
S P Naughton (resıgned 28 September 2012)
R C Faxon (resıgned 28 September 2012)
R C Prıor (resıgned 28 September 2012)

Secretaries

A Abıoye

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Registered Office

27 Wrıghts Lane
London
W8 5SW

Registered No 04631083

Directors' report

The directors present their report and financial statements for the year ended 31 March 2012

Results and dividends

The Company's loss for the year, after taxation was £33,000 (2011– loss of £184,000)

The directors do not recommend the payment of a dividend (2011 – £nil)

Principal activities and review of the business

The future artist-signing activities of the Company were transferred to another statutory entity, Relentless 2006 Limited, in April 2006, leaving only the existing artist roster in Jaydone Limited Nevertheless, the Company is still engaged in the sale and distribution of all forms of recorded music

Financial review

Turnover has decreased by £742,000 (72%) compared to the prior year, while operating loss has decreased by £150,000 (82%) and net liabilities have increased by £33,000 (5%)

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

Analysis of key performance indicators

The directors and management of the Company use a number of key performance indicators (KPIs) to assess the ongoing performance of the business The principal profit KPI used by the directors is EBITDA, which is considered a proxy for cash flow The directors define EBITDA as the profit from operations stated before depreciation, amortisation, exceptional items (including restructuring costs) and the share of associates' and joint ventures' results EBITDA for the year ended 31 March 2012 was a loss of £33,000 (2011 loss of £184,000)

Key risks and uncertainties

The Company's business faces a number of risks and uncertainties as is normal for a Company of its size and complexity The directors consider that the principal risks faced by the business include

- The market for recorded music product has been declining and may continue to decline,
- The current uncertainty in global economic conditions would adversely affect the prospects and results of the business,
- The downward pressure on the pricing of music products leading to pressure on the margins,
- The dependence on identifying, signing and retaining artists with long-term potential, and the effect of results of successful artists,
- The continuing exposure of the music industry to illegal music downloads and file sharing

Sale

The company forms part of the Recorded Music division of EMI

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

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

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

Directors' report

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

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

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

Directors and their interests

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

A Brown (appointed 28 September 2012)
R M Constant (appointed 28 September 2012)
B J Muir (appointed 28 September 2012)
D N Kassler (resigned 28 September 2012)
S P Naughton (resigned 28 September 2012)
R C Faxon (resigned 28 September 2012)
R C Prior (resigned 28 September 2012)

None of the directors had any interests in the shares of the Company during the year

Certain directors benefit from qualifying third party indemnity provisions at the date of this report

Political and charitable contributions

During the year, the Company made no political or charitable contributions (2011 – £nil)

Supplier payment policy

The Company negotiates payment terms with its suppliers on an individual basis, with the normal spread being payment at the end of the month of delivery plus 30 to 60 days Agreement to the applicable payment terms is secured in every case

The Company emphasises the importance of prompt payment to small-sized businesses in line with UK governmental and CBI initiatives At 31 March 2012 the Company had an average of 60 days' purchases outstanding in trade creditors (2011 – 50)

Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

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

By order of the Board

A Brown
Director
7 December 2012

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 judgments and estimates that are reasonable and prudent,

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

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditor's report to the members of Jaydone Limited

We have audited the financial statements of Jaydone Limited for the year ended 31 March 2012 set out on pages 7 - 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 auditors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion,

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- The financial statements are not in agreement with the accounting records and returns, or
- Certain disclosures of directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit

Independent auditors' report (continued)

to the members of Jaydone Limited

Hugh Green, Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

7 December 2012

Registered No 04631083

Profit and loss account

for the year ended 31 March 2012

	Note	2012 £000	2011 £000
Turnover	2	289	1,031
Cost of sales		(320)	(1,193)
Gross loss		(31)	(162)
Distribution costs		(2)	(22)
Loss on ordinary activities before taxation		(33)	(184)
Tax on loss on ordinary activities	5	–	–
Loss for the year after taxation	9	(33)	(184)

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

The notes on pages 10 to 15 form part of these financial statements

A note of historical cost profit and losses has not been prepared as part of the financial statements since the results disclosed in the profit and loss account are prepared on an unmodified historical cost basis

Registered No 04631083

Statement of total recognised gains and losses

for the year ended 31 March 2012

There are no recognised gains or losses other than the loss of £33,000 in the year ended 31 March 2012 (2011 – loss of £184,000)

Regıstered No 04631083

Balance sheet

at 31 March 2012

	Note	2012 £000	2011 £000
Current assets			
Debtors	6	520	212
Creditors: amounts fallıng due wıthın one year	7	(1,268)	(927)
Net current lıabilitıes		(748)	(715)
Total assets less current liabilıties		(748)	(715)
Capital and reserves			
Called up share capıtal	8,9	-	-
Profit and loss account	9	(748)	(715)
Equıty shareholders' deficit	9	(748)	(715)

The notes on pages 10 to 15 form part of these financıal statements

The financıal statements were approved by the board of dırectors on 7 December 2012 and were sıgned on ıts behalf by

A Brown
Dırector
7 December 2012

Notes to the financial statements

at 31 March 2012

1. Accounting policies

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

Basis of preparation

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

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £748,029, which the Directors believe to be appropriate for the following reasons

The Company is dependent for its working capital on funds provided to it by Société d'Investissements et de Gestion 104 S A S Société d'Investissements et de Gestion 104 S A S has indicated to the Company that for at least 12 months from the date of approval of these financial statements it will continue to make available such funds as are needed by the Company This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment

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

Statement of cash flows

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

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured The following specific recognition criteria must also be met before revenue is recognised

- Sale of goods revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer i e on despatch and can be reliably measured Revenue is measured at fair value after making provision in respect of expected future returns of goods and services supplied by the company prior to the balance sheet date,
- Copyright, royalty, license and other income revenue is recognised based on the contractual arrangements entered into with third parties, which allow them to exploit the Group's intellectual property in return for a fee Where the Group is entitled to a fee which is not dependent upon future usage, revenue is recognised when the Group has fulfilled its contractual commitments Where the fees due to the Group are dependent upon usage, revenue is recognised based upon that usage Where no reliable basis is available for estimating such usage, revenue is recognised when reported to the Group by third parties,

Stocks and work in progress

These are stated at the lower of cost and net realisable value, which is arrived at by making a provision for obsolete and slow moving items Cost includes a proportion of manufacturing overheads

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Notes to the financial statements (continued)
at 31 March 2012

Advances

In the ordınary course of busıness the company pays advances and other expenses recoupable from future royaltıes to performıng artısts, songwrıters, producers and thırd-party repertoıre owners The amounts paıd are carrıed at cost less recoupment and less an allowance for any unrecoupable amounts The allowance ıs based on past revenue performance, current popularıty and projected revenue Advances are recoupable durıng the busıness operatıng cycle All advances are therefore reported as current assets, ıncludıng advances recoupable more than 12 months after the balance sheet date

Deferred taxatıon

Deferred tax ıs recognısed ın respect of all tımıng dıfferences that have orıgınated but not reversed at the balance sheet date where transactıons or events have occurred at that date that wıll result ın an oblıgatıon to pay more, or a rıght to pay less or to receıve more, tax

Deferred tax ıs measured on an undıscounted basıs at the tax rates that are expected to apply ın the perıods ın whıch tımıng dıfferences reverse, based on tax rates and laws enacted or substantıvely enacted at the balance sheet date

2. Turnover

Turnover, whıch ıs stated net of value added tax, represents amounts ınvoıced to thırd partıes It ıs attrıbutable to one contınuıng actıvıty wholly wıthın the UK

3. Auditors' remuneration

	2012	*2011*
	£000	*£000*
Audıt of these financıal statements	–	1

Audıtors' remuneratıon for the current year and prıor year was paıd ın full by EMI Records Lımıted

4. Directors' remuneration and staff costs

The company has no dırectly contracted employees (2011 – nıl)

There were no staff or salary costs durıng 2011 (2011 – £nıl)

The dırectors are employed and remunerated as dırectors or executıves of, or consultants to, other group undertakıngs

Notes to the financial statements (continued)

at 31 March 2012

5. Tax

(a) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 26% (2011 – 28%) The differences are reconciled below

	2012	*2011*
	£000	*£000*
Loss on ordinary activities before tax	(33)	(184)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 – 28%)	(9)	(51)
Effect of		
Group relief surrendered for payment at 26% (2011 – 28%)	9	51
Total current tax charge	–	–

(b) Factors affecting future tax charge

As part of the EMI Group Worldwide Holdings Limited group, the company may receive or surrender losses by way of group relief This receipt or surrender is made without charge

On 5 July 2011, legislation to further reduce the main rate of corporation tax from 26 per cent to 25 per cent from 1 April 2012 was substantially enacted, which has not been reflected in the above calculation

On 21 March 2012, a resolution was passed by Parliament to reduce the main UK corporate tax rate to 22 per cent by 1 April 2014 This is not reflected in the above calculation statements

(c) Deferred tax

At the balance sheet date the company had unused tax losses of £244,603 (2011 £68,489) available for offset against future profits

Notes to the financial statements (continued)

at 31 March 2012

6. Debtors

	2012	*2011*
	£000	*£000*
Trade debtors	13	41
Amounts owed by other group undertakings	2	–
Other debtors	7	171
Interest-free loans to parent undertaking	498	-
	520	212

Trade debtors are collected via a fellow Group company, EMI Records Limited

7. Creditors: amounts falling due within one year

	2012	*2011*
	£000	*£000*
Trade creditors	9	58
Amounts owed to other group undertakings	-	844
Royalties payable	2	–
Accruals and deferred income	13	25
Interest-bearing loan from parent undertaking	529	-
Interest-free loan from parent undertaking	715	-
	1,268	927

Trade creditors are paid via a fellow Group company, EMI Records Limited

8. Share capital

	2012	*2011*
Authorised	*£*	*£*
5,010 Class 'A' shares of 10p each	501	500
4,990 Class 'B' shares of 10p each	499	500
	1,000	1,000

	2012	*2011*
Allotted, called up and fully paid	*£*	*£*
501 Class 'A' shares of 10p each	50	50
499 Class 'B' shares of 10p each	50	50
	100	100

There are no differences in rights between Class 'A' and Class 'B' shareholders

Notes to the financial statements (continued)
at 31 March 2012

9. Reconciliation of shareholders' funds and movement on reserves

	Share capital *£000*	*Profit and loss account* *£000*	*Total share-holders' deficit* *£000*
At 31 March 2011	–	(715)	(715)
Loss for the year	–	(33)	(33)
At 31 March 2012	–	(748)	(748)

10. Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8, "Related Party Disclosures" (FRS 8), not to disclose related party transactions between wholly owned group undertakings

11. Post balance sheet events

The company forms part of the Recorded Music division of EMI

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

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

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

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

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

12. Ultimate parent undertaking

The ultimate parent undertaking and controlling party at 31 March 2012 is Citigroup Inc , a company registered in Delaware, United States The immediate parent company is Virgin Records Limited The parent undertaking of the largest and smallest group in which they are consolidated is EMI Group

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Notes to the financial statements (continued)

at 31 March 2012

Worldwıde Holdıngs Lımıted Copıes of the consolıdated financıal statements of EMI Group Worldwıde Holdıngs Lımıted can be obtaıned from the Company's regıstered address, 27 Wnghts Lane, London, W8 5SW

Subsequent to the year end and the sale of the Recorded Musıc busıness the ultımate parent undertakıng and controllıng party ıs Vıvendı SA For further detaıl refer to note 11