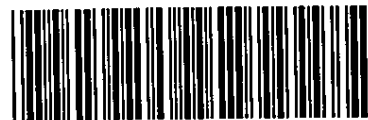


EMI Group Limited

**Directors' report and financial
statements**

**Registered number 229231
for the year ended 31 March 2012**

WEDNESDAY



LD5 "L1FULMOO" #4
22/08/2012
COMPANIES HOUSE

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 Limited (the "Company") is a wholly owned subsidiary EMI Group (Newco) Limited and is 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 holding company There has not been any change to the principal activity of the Company during the period 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 its activities are dependent on the activities of the Group as a whole Therefore, the Company's key financial and other performance indicators during the year were as follows

	2012	2011	Change
	£m	£m	%
Loss before tax	(425 3)	(255 4)	(66 52)
Loss after tax	(425 4)	(255 5)	(66.50)
Shareholder's funds	1,940 9	823 0	135 83

As stated in the profit and loss account on page 7 the Company made a loss before tax of £425 3 million in the year to 31 March 2012 compared with the previous year's loss before tax of £255 4 million This represents a decrease of 66 52 per cent and is mainly due to a increased impairment of investments in the current period offset by an increased rate of interest resulting in increase interest income

In the balance sheet shown on page 8, the net assets of the Company have increased by 135 83 per cent due to a loan of £1,543 3 million due to the parent company being waived during the period, offset by the impairment of investments Shareholder's funds have increased by 135 83 per cent also as a result of the waiver and retained loss

DIRECTORS' REPORT (continued)

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.

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.

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 in place during the financial year and at the date of this report.

Donations

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

Directors

The Directors throughout the period and subsequently were as follows:

S P Naughton
R C Faxon
R C Prior
K L A Mullins (Resigned 9 May 2012)

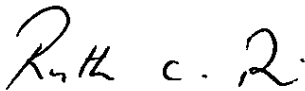
DIRECTORS' REPORT (continued)

Disclosure of information to the auditor

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

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

By Order of the Board



R C Prior
Director
21 August 2012

Registered Office
27 Wrights Lane
London
W8 5SW

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 LIMITED

We have audited the financial statements of EMI Group Limited for the year ended 31 March 2012 set out on pages 7 to 25. 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 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.



H Green (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
United Kingdom

21 August 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 £m	2011 £m
Administrative expenses		(50.6)	(63.5)
Other operating income	2	47.3	52.3
Other operating expenses	3	(13.5)	(49.9)
Amounts written off investments	9	(526.0)	(152.5)
OPERATING LOSS		(542.8)	(213.6)
Interest receivable	4	206.1	21.5
Interest payable	5	(88.6)	(63.3)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(425.3)	(255.4)
Taxation	6	(0.1)	(0.1)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(425.4)	(255.5)

All operating loss is from continuing operations.

The notes on pages 9 to 25 form part of the financial statements

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 £425.4 million (2011: loss of £255.5 million)

BALANCE SHEET AS AT 31 MARCH 2012

	Notes	2012 £m	2011 £m
Fixed assets			
Tangible assets	8	14.6	16.2
Investments	9	375.7	1,782.8
		<u>390.3</u>	<u>1,799.0</u>
Current assets			
Debtors amounts falling due within one year	10	3,641.7	2,488.5
Cash at bank and in hand and cash deposits		0.2	77.6
		<u>3,641.9</u>	<u>2,566.1</u>
Creditors: amounts falling due within one year			
Other creditors	11	<u>(2,075.7)</u>	<u>(1,579.6)</u>
Net current assets		<u>1,566.2</u>	<u>986.5</u>
Total assets less current liabilities		<u>1,956.5</u>	<u>2,785.5</u>
Creditors: amounts falling due after more than one year			
Other creditors	12	-	(1,937.0)
Provisions for liabilities and charges	13	<u>(15.6)</u>	<u>(25.5)</u>
Net assets		<u>1,940.9</u>	<u>823.0</u>
Capital and reserves			
Called up share capital	14	128.9	128.9
Share premium account	14	630.8	630.8
Capital redemption reserve	18	495.8	495.8
Other reserves	18	408.7	408.7
Profit and loss reserve	18	<u>276.7</u>	<u>(841.2)</u>
Shareholder's funds		<u>1,940.9</u>	<u>823.0</u>

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 pages 9 to 25 form part of the 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 s400 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 Limited has made a loss for the year of £425.4 million (2011 £255.5 million) and has net current assets of £1,566.2 million (2011 £986.5 million) and net assets of £1,940.9 million (2011 £823.0 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.

Following the recapitalisation of the Group in February 2011, 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 for a period of more than twelve months from the date of approval of these financial statements.

The Company has also prepared its own financial projections for a period of more than twelve months from the date of approval of these financial statements which indicate that it will be able to continue to meet its financial obligations during this period. 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 22.

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

Calculation of recoverable amount

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

Reversals of impairment

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Retirement benefits

Retirement benefits are accounted for under FRS 17 Retirement Benefits. The Company operates both defined benefit and defined contribution schemes for its employees. The Company is unable to identify its share of the underlying assets and liabilities of its defined benefit schemes and so, in accordance with FRS 17, the Company accounts for them as defined contribution schemes.

Tangible assets

Assets are held at depreciated historical cost.

Depreciation of tangible fixed assets is calculated on cost at rates estimated to write off the cost, less the estimated residual value of the relevant assets, by equal annual amounts over their expected useful lives, effect is given, where necessary, to commercial and technical obsolescence.

The annual rates used are

Freehold buildings, long-term leasehold property	2%
Short-term leasehold property	Lower of period of lease and useful economic life
Plant, equipment and vehicles	10 – 33 1/3%

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES CONTINUED

Share-based payments

All share-based payment transactions within the Company ultimately vested when the Group was sold to Citibank on 1 February 2011. As a result, the unrecognised fair value at grant dates of the outstanding grants was accelerated in the year ended 31 March 2011.

Employees of the Group had received remuneration in the form of share-based payment transactions, whereby employees rendered services as consideration for equity instruments ('equity-settled transactions'). Other employees of Recorded Music, Music Publishing and the Group had received remuneration in the form of share appreciation units, which could only be settled in cash. The share appreciation units for the employees of Recorded Music and Music Publishing were settled by Maltby Investments Limited, a former parent. The share appreciation units for the employees of the Group were settled by Terra Firma Investments Limited (GP)2 and (GP)3, also a former parent. All share appreciation units were treated as equity-settled transactions in the consolidated financial statements of EMI Group Worldwide Holdings Limited in prior periods.

The cost of equity-settled transactions with employees was measured by reference to the fair value at the date on which they were granted. The fair value was determined by an external valuer using an appropriate valuation methodology, further details are given in the 2011 consolidated accounts of EMI Group Worldwide Holdings (see Note 22).

Whilst shared based payment plans existed, the following accounting policy was applied.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES CONTINUED

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money on the quantification of the provision is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

2. OTHER OPERATING INCOME

	2012	2011
	£m	£m
Net exchange gain on foreign currency balances	12.2	4.3
Management fees	35.1	48.0
	<hr/>	<hr/>
	47.3	52.3
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. OTHER OPERATING EXPENSES

	2012	2011
	£m	£m
Restructuring costs	13.5	49.9
	<hr/>	<hr/>
	13.5	49.9
	<hr/>	<hr/>

During the year ended 31 March 2012, the restructuring initiatives included redundancy costs following further staff reductions, retention bonuses and continuing rationalisation of the property portfolio

During the year ended 31 March 2011, the restructuring initiatives included redundancy costs following further staff reductions, and rationalisation of the property portfolio. Costs were incurred leading up to and including the change of ownership and the changes to the Group's capital structure. The Company was responsible for the litigation expenses incurred by Citibank in connection with Terra Firma's unsuccessful claims in the New York Court case.

4. INTEREST RECEIVABLE

	2012	2011
	£m	£m
Loans to fellow subsidiary undertakings	206.1	21.5
	<hr/>	<hr/>
	206.1	21.5
	<hr/>	<hr/>

5. INTEREST PAYABLE

	2012	2011
	£m	£m
Loans from fellow subsidiary undertakings	10.2	0.6
Loans from parent undertaking	78.4	62.7
	<hr/>	<hr/>
	88.6	63.3
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAX

Tax on loss on ordinary activities	2012 £m	2011 £m
UK corporation tax		
UK corporation income tax for the year	(0 1)	(0 1)
Adjustments in respect of previous year	-	-
Foreign tax	-	-
	<hr/>	<hr/>
Total current tax charge	(0 1)	(0 1)
	<hr/>	<hr/>
Deferred tax	-	-
Tax on loss on ordinary activities	-	-
	<hr/>	<hr/>

Factors affecting current tax charge:

The current tax charge for the period is lower (2011: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

Loss on ordinary activities before tax	(425 3)	(255 4)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 – 28%)	(110 6)	(71 5)
	<hr/>	<hr/>
<i>Effect of</i>		
Permanent differences including prior year adjustment	115 6	35 8
Group relief (claimed)/surrendered for nil payment – current year	(3 4)	35 6
Current year tax losses carried forward / (utilised)	(1.7)	-
Total current tax charge	(0 1)	(0 1)
	<hr/>	<hr/>

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 per cent was substantially enacted. None of the above changes are reflected in the above calculation.

Deferred tax

At the balance sheet date the Company had unused tax losses of £153.7m (2011: £175.0m) available for offset against future profits. Capital allowances available for offset against future profits for the year is £1.1m (2011: £1.1m). No deferred tax asset has been recognised on grounds that there is currently insufficient evidence for this asset to be realised (2011: £nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. DIRECTORS' EMOLUMENTS AND STAFF COSTS

	2012	2011
	£m	£m
Wages and salaries	14.5	22.5
Social security costs	1.4	2.5
Defined contribution pension cost	19.8	18.3
Termination and other payments	4.2	
Share based payments – equity settled	-	3.5
	39.9	46.8

The aggregate cost of the Directors of the company is as follows

	2012	2011
	£m	£m
Directors' Emoluments	3.5	2.3
Amounts paid through third parties in respect of Directors' services	-	0.2
Termination and other payments	1.6	-

The total amount payable to the highest paid Director in respect of emoluments was £3,020,411 (2011 £1,132,950)

Employee benefits

For details regarding the Company's share based payment transactions, see note 17

The company had 123 employees during the year (2011 154).

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. TANGIBLE FIXED ASSETS

	Freehold property £m	Leasehold property £m	Plant, equipment and vehicles £m	Total £m
Cost at 31 March 2011	5.2	22.8	5.2	33.2
Additions	-	-	0.1	0.1
Disposals and transfers	-	-	-	-
Cost at 31 March 2012	5.2	22.8	5.3	33.3
Depreciation at 31 March 2011	1.4	11.4	4.2	17.0
Charge for year	-	1.5	0.2	1.7
Disposals and transfers	-	-	-	-
Depreciation at 31 March 2012	1.4	12.9	4.4	18.7
Net book values at 31 March 2012	3.8	9.9	0.9	14.6
Net book values 31 March 2011	3.8	11.4	1.0	16.2

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INVESTMENTS

	2012 £m	2011 £m		
Investments comprise				
Subsidiary undertakings (i)	375 1	1,782 2		
Associated undertakings (ii)	0 6	0 6		
Other fixed asset investments (iii)	-	-		
	375 7	1,782 8		
(i) Investments in subsidiary undertakings				
	Cost of shares £m	Loans £m	Provisions £m	Net book value £m
At 31 March 2010	2,469 4	857 0	(1,391 1)	1,935 3
Additions and disposals	-	(0 6)	-	(0 6)
Impairments	-	-	(152 5)	(152 5)
At 31 March 2011	2,469 4	856.4	(1,543 6)	1,782 2
Additions and disposals	-	0 2	-	0 2
Reclassification	-	(76 5)	(804 8)	(881.3)
Impairments	-	-	(526 0)	(526 0)
At 31 March 2012	2,469.4	780.1	(2,874.4)	375.1

The current year addition relates to an annual management fee charged on the loan with EMI Group Finance. The reclassifications relate to provisions previously recognised within intercompany balances and now recognised as a provision against investments in shares and intercompany loans classified as investments which is deemed a more appropriate place for the provision.

During the prior year loans in subsidiary undertakings to the amount of £0.6m was repaid by EMI Group Finance Limited.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INVESTMENTS (continued)

The principal subsidiary undertakings set out below are those which were part of the Company at 31 March 2012 and in the opinion of the Directors significantly affected the Company's results and net assets during the year.

Except where otherwise stated, the country of incorporation is England, the operations are within the United Kingdom, the shares are in equity share capital and the businesses are wholly owned

Music and Music Publishing

EMI Group Worldwide
Virgin Music Group*
Chrysalis Records Ltd
EMI Music Germany GmbH & Co KG
Virgin Records Ltd
EMI Music Australia Pty Ltd
EMI Music France S A
EMI Music Italy SpA
EMI Music Publishing Ltd
EMI Records Ltd

Corporate

EMI Group Finance Ltd*
EMI Group Finance (Jersey) Ltd*
EMI Group Holdings (UK)
EMI Group International Holdings Ltd
EMI Group North America Holdings, Inc (USA)

* Held directly by the Company

(ii) Investments in associated undertakings

	Cost of shares £m	Provisions £m	Net book value £m
At 31 March 2011 and 31 March 2012	0.7	(0.1)	0.6

(iii) Other fixed asset investments

	Cost of shares £m	Provisions £m	Net book value £m
At 31 March 2011 and 31 March 2012	3.0	(3.0)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. DEBTORS

	2012 £m	2011 £m
Due within one year		
Amounts owed by subsidiary undertakings	3,489.6	2,327.4
Investment in preference shares	152.1	152.1
Other debtors	-	9.0
Total	3,641.7	2,488.5

The investment in preference shares relates to preference shares issued by EMI Group Finance (Jersey) Limited. The shares have no voting rights and do not represent equity and have been disclosed as current receivables from EMI Group Finance (Jersey) Limited. Dividends are payable at a rate of 5.25% per annum but the Company has waived its rights to dividends in the year.

During the current year a provision against amounts due by subsidiary undertakings has been reclassified to loans classified as investments.

11. OTHER CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £m	2011 £m
Amounts owed to subsidiary undertakings	2,057.2	1,560.0
Accruals and deferred income	18.5	19.6
Total	2,075.7	1,579.6

12. OTHER CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £m	2011 £m
Amounts owed to subsidiary undertakings	-	1,937.0
Total	-	1,937.0

During the year EMI Group (Newco) Limited waived a loan payable by EMI Group Limited. This resulted in a gain of £1,543.3m directly to reserves in EMI Group Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. OTHER PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring £m	Trading £m	Total £m
At 31 March 2011	25.1	0.4	25.5
Intercompany transfer	2.0	-	2.0
Transfer from creditors	1.0	-	1.0
Provisions utilised	(25.0)	(0.2)	(25.2)
Charge for the year	12.3	-	12.3
At 31 March 2012	15.4	0.2	15.6

The above includes provisions for redundancy payments

14. SHARE CAPITAL

Ordinary shares, allotted, called up and fully paid

	2012 Number	2011 Number	Share capital 2012 £m	Share capital 2011 £m	Share premium 2012 £m	Share premium 2011 £m
At the beginning and end of the period	920,361,759	920,361,759	128.9	128.9	630.8	630.8

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. AUDITORS' REMUNERATION

	2012 £'000	2011 £'000
Audit of these financial statements	81	80

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 parent.

16. 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.

17. SHARE-BASED PAYMENT

The total share-based payment expense recognised for employee services received during the year is £nil (2011 £3.5m).

All outstanding share based payment awards ultimately vested when the group was sold on 1 February 2011. The unrecognised grant fair value of the awards at transaction date accelerated in the year ended 31 March 2011. Since the proceeds of the sale did not exceed the relevant amount, none of the participants are entitled to, nor received a cash payment under any of the share-based payment schemes. There are no outstanding liabilities relating to these schemes at 31 March 2012 or 2011.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. RESERVES

	Capital redemption reserve £m	Other reserves £m	Profit and loss reserve £m
At 1 April 2010	495.8	408.7	(589.2)
Loss for the year	-	-	(255.5)
Equity-settled share based payment charge (note 17)	-	-	3.5
At 1 April 2011	495.8	408.7	(841.2)
Loss for the year	-	-	(425.4)
Waiver of intercompany loan	-	-	1,543.3
At 31 March 2012	495.8	408.7	276.7

During the year a new company, EMI Group (Newco) Limited was inserted into the Group structure and acquired EMI Group Limited from EMI Group Worldwide Holdings Limited. The intercompany receivable due to EMI Group Worldwide Holdings Limited was reassigned to EMI Group (Newco) Limited and subsequently waived as a capital contribution. The waiver resulted in a credit directly to reserves in EMI Group Limited.

(i) Capital redemption reserve

The capital redemption reserve represents a historical reduction in distributable reserves for the amount paid to redeem preference B shares as part of a share capital reorganisation.

(ii) Other reserves

Other reserves of the Company contain a special reserve which reflects the share premium account reduction of July 1988 and unrealised profits on disposal of investments.

19. PENSIONS

As noted in the accounting policies section, the Company is a member of the EMI Group Pension Fund (UK Fund), a defined benefit pension scheme for EMI Group Limited and its subsidiaries in the UK. As the Company is unable to identify its share of the underlying assets and liabilities of the UK fund, in accordance with FRS 17 it has accounted for it as a defined contribution scheme. The cost of contributions by the Company to the UK fund during the year was £19.8 million (2011: £18.3 million).

As at 31 March 2012, the UK Fund had schemes assets with a fair value of £1,106 million (2011: £956 million) and a present value of defined benefit obligations of £1,106 million (2011: £1,026 million) resulting in a net £nil pension liability (2011: £70 million liability).

The date of the last actuarial valuation of scheme assets and obligations was 31 March 2012, and was based on the projected unit method.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. SUBSEQUENT EVENTS

Pensions

On 15 May 2012, after a period of consultation, an agreement was reached between EMI and the employee members of the pension scheme and the pension scheme was curtailed. All members transferred into a new defined contributions scheme. The closure of the plan does not impact current pensioners, or affect the benefits already accrued by current employees who were still contributing to the scheme.

Separately, the trustees of the UK EMI defined benefits scheme are in negotiations with the Group's current owners to transfer the fund to Citigroup (the sale of the Recorded Music business is conditional on Citigroup taking over the responsibility for EMI's UK defined benefits pension scheme). This move will provide a significant improvement to the fund's covenant strength and risk profile, offering long term security to current and future EMI pensioners.

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.

On 20 August 2012, a capital reduction of £275 million took place, resulting in a debit to share premium and credit to profit and loss reserve.

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.

21. CONTINGENT LIABILITIES

EMI Group 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.

As part of the sale in 1998 to HMV Group plc (HMV Group) of the companies and assets comprising HMV, the Company entered into an indemnity deed with HMV Group relating, among other things, to guarantees given by the Company in respect of property leases of which approximately 40 (2011: 41) remain outstanding. During June 2011 the HMV Group sold Waterstones's Booksellers Ltd (Waterstones Group) which included 16 of the approximately 40 outstanding leases over which the Company has guarantees. However, the guarantees on the Waterstones leases continue post the sale.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. CONTINGENT LIABILITIES (continued)

Under the deed, the Company agreed to indemnify HMV Group against any payments made under those property leases and certain other guarantees and indemnities. HMV Group and Waterstones Group have to be in a position where they are not able to pay the lease costs before the Company would be liable for the lease costs. For the Company to be liable for sub-lease costs, both the sub-lessee and HMV Group / Waterstones Group would have to be unable to pay the lease costs. The aggregate annual rental payments under guaranteed leases are approximately £19 million (2011: £19 million), although they are subject to adjustment both up and down under certain circumstances. The guaranteed leases have terms which expire in 1 to 14 years (2011: 15 years). The total estimated liability for the unexpired terms on all the leases is £128 million (2011: £115 million). If the Company is required to make payments under the guarantees, it will expect to sub-let a number of the properties and reduce its total liability. Two of the leases have been sub-let by HMV (£37 million of the total estimated liability of unexpired leases). The indemnity deed remains in force in respect of lease guarantees, and HMV Group has secured those obligations pursuant to a security deed, the Company's rights under which rank second behind banks which provide senior credit facilities to HMV Group.

22. PARENT UNDERTAKING

The immediate parent of the Company is EMI Group (Newco) Limited. 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.