

**EMI GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**



**EMI GROUP LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2018**

---

<b>CONTENTS</b>	<b>PAGES</b>
Officers and professional advisers	<b>1</b>
Strategic report	<b>2 to 3</b>
Directors' report	<b>4 to 5</b>
Independent auditor's report to the members	<b>6 to 8</b>
Statement of comprehensive income	<b>9</b>
Statement of financial position	<b>10</b>
Statement of changes in equity	<b>11</b>
Notes to the financial statements	<b>12 to 25</b>

---

# **EMI GROUP LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

---

### **THE BOARD OF DIRECTORS**

BJ Muir  
SL Carmel  
P Jassal

### **COMPANY SECRETARY**

A Abioye

### **REGISTERED OFFICE**

4 Pancras Square  
London  
N1C 4AG

### **AUDITOR**

Deloitte LLP  
Statutory Auditor  
Mountbatten House  
1 Grosvenor Square  
Southampton  
United Kingdom  
SO15 2BZ

# **EMI GROUP LIMITED**

## **STRATEGIC REPORT**

### **YEAR ENDED 31 DECEMBER 2018**

---

The directors present their strategic report for EMI Group Limited ( the 'company') for the year ended 31 December 2018.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year was that of a holding company for investments. This activity is unlikely to change in the foreseeable future.

The result and position of the company for the year ended 31 December 2018 are set out in the statement of comprehensive income, statement of financial position and statement of changes in equity on pages 9, 10 and 11 respectively. The result and position of the company were in line with directors' expectations.

#### **RESULTS AND DIVIDENDS**

The company's profit for the financial year was £9,500,000 (2017 - profit £499,465,000). The retained profit for the year has been transferred to reserves.

The directors do not recommend a dividend payment for the year ended 31 December 2018 (2017 - £nil).

#### **KEY PERFORMANCE INDICATORS**

The company uses a variety of performance indicators to review historical performance and plan for the future. The key indicators are interest and profit before taxation, as described below.

##### ***Interest***

There was a decrease of 66.89% in interest receivable in 2018 and interest payable decreased by 86.26% . These decreases were because of an intercompany loan rationalisation programme in the prior year, as well as a one-off interest receipt in the prior year.

##### ***Profit before taxation***

Profit before taxation decreased by £498,142,000 in 2018, a decrease of 97.82% compared to the prior year. The large decrease is due to the release of a provision in the prior year.

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company uses a variety of financial instruments including cash, equity instruments and various instruments such as intercompany loans receivable and payable that arise directly from its operations.

The directors are of the view that the main risks arising from the company's financial instruments are exchange rate risk and interest rate risk, as summarised below:

##### ***Exchange rate risk***

Exchange rate fluctuation presents a risk because certain balances are denominated in currencies other than Sterling. The directors do not consider that the potential downside is significant enough to require hedging but continue to monitor the potential risk.

##### ***Interest rate risk***

The company does not have any external borrowings and as such the directors consider the interest rate risk to be minimal at this stage.

**EMI GROUP LIMITED**  
**STRATEGIC REPORT (continued)**  
**YEAR ENDED 31 DECEMBER 2018**

---

**PRINCIPAL RISKS AND UNCERTAINTIES**

The company is faced with similar risks and uncertainties as other companies operating in the recorded music business, broadly:

- competition from alternative entertainment products;
- price pressure from the increased presence of supermarkets in the music market and their threat to the survival of independent music retailers;
- the threat of a devalued product due to piracy and the illegal use of music;
- uncertainty as to whether the growth in the subscription services market can replace the decline in the physical and download market;
- interest rate fluctuations; and
- exchange rate fluctuations.

All risks and uncertainties are regularly monitored by the Board of Directors of the company.

**FUTURE DEVELOPMENTS**

Following the referendum held on 23rd June 2016 the United Kingdom is expected to leave the European Union ('Brexit').

The directors of EMI Group Limited continue to monitor the possible impact that this may have on the business in the various scenarios by which Brexit may happen and the UK's future relationship with the European Union.

The directors do not consider Brexit to represent a significant risk to the company's operations.

Notwithstanding the risks and uncertainties outlined above, the directors do not anticipate any significant change in the activities and results of the company in the foreseeable future.

By order of the board



P Jassal

Director

Date: 17 May 2019

# **EMI GROUP LIMITED**

## **DIRECTORS' REPORT**

### **YEAR ENDED 31 DECEMBER 2018**

---

The directors present their report, together with the financial statements and the auditor's report of the company for the year ended 31 December 2018.

They have included the following matters within the strategic report, otherwise required to be disclosed in the directors' report, as they are considered to be of strategic importance to the company.

- Results and dividends.
- Financial risk management objectives and policies.
- Principal risks and uncertainties.
- Future developments.

#### **DIRECTORS**

The directors who served the company during the year and subsequently were as follows:

BJ Muir  
SL Carmel  
P Jassal

#### **DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS**

A qualifying third party indemnity provision remains in force as at the date of approving the directors' report, subject to the provisions of section 236 of the Companies Act 2006. Vivendi SA, headed by Bolloré Group, the ultimate parent undertaking, maintains a Directors & Officers Liability Programme which indemnifies directors' personal liabilities resulting from alleged wrongful acts committed in the line of their employment.

#### **POLICY ON THE PAYMENT OF CREDITORS**

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

#### **DONATIONS**

The company made no charitable or political donations in either year.

**EMI GROUP LIMITED**  
**DIRECTORS' REPORT (continued)**  
**YEAR ENDED 31 DECEMBER 2018**

---

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 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.

**AUDITOR**

In so far as each of the directors at the date of approving this report is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP were appointed as the company's auditor during the financial period. Pursuant to Section 487 of the Companies Act 2006, they will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

By order of the board



A Abioye

Company Secretary

Date: 17 May 2019

Company Registration Number: 00229231

# **EMI GROUP LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMI GROUP LIMITED**

**YEAR ENDED 31 DECEMBER 2018**

---

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

In our opinion the financial statements of EMI Group Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the company which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.



# **EMI GROUP LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMI GROUP LIMITED (continued)**

**YEAR ENDED 31 DECEMBER 2018**

---

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# EMI GROUP LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMI GROUP LIMITED (continued)

**YEAR ENDED 31 DECEMBER 2018**

---

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

#### Use of our report

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.



Claire Siviter, FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Statutory Auditor

Southampton

Date: 17 May 2019

Company Registration Number: 00229231

**EMI GROUP LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Note</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Administrative expenses		<b>(1,018)</b>	<b>(3,021)</b>
<b>OPERATING LOSS</b>	<b>4</b>	<b>(1,018)</b>	<b>(3,021)</b>
Other (expenses)/income	<b>5</b>	<b>(2,909)</b>	474,520
Income from participating interests	<b>8</b>	-	1,347
Interest receivable and similar income	<b>9</b>	<b>17,106</b>	51,670
Interest payable and similar charges	<b>10</b>	<b>(2,102)</b>	<b>(15,297)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>11,077</b>	<b>509,219</b>
Tax on profit	<b>11</b>	<b>(1,577)</b>	<b>(9,754)</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>9,500</b>	<b>499,465</b>
<b>Other comprehensive income/(loss)</b>			
Unrealised income/(loss) on available for sale investments		<b>87,715</b>	<b>(3,747)</b>
<b>Total other comprehensive income/(loss)</b>		<b>87,715</b>	<b>(3,747)</b>
Tax on other comprehensive income	<b>16</b>	<b>(7,456)</b>	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>89,759</b>	<b>495,718</b>

All of the activities of the company are classed as continuing operations.

**The notes on pages 12 to 25 form part of these financial statements**

**EMI GROUP LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £'000	2017 £'000
<b>FIXED ASSETS</b>			
Property, plant & equipment		1,875	1,923
Investments	12	214,893	127,178
		<u>216,768</u>	<u>129,101</u>
<b>CURRENT ASSETS</b>			
Debtors: Amounts falling due within one year	13	1,618,755	1,521,613
Cash at bank		130	130
		<u>1,618,885</u>	<u>1,521,743</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	(125,546)	(40,944)
<b>NET CURRENT ASSETS</b>		<u>1,493,339</u>	<u>1,480,799</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,710,107</u>	<u>1,609,900</u>
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	16	(7,456)	-
Provisions for liabilities and charges	15	(2,992)	-
<b>NET ASSETS</b>		<u>1,699,659</u>	<u>1,609,900</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	17	128,851	128,851
Share premium account		355,786	355,786
Capital redemption reserves		495,856	495,856
Available for sale investment reserves		125,462	37,747
Other		8,664	8,664
Profit and loss account		585,040	582,996
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>1,699,659</u>	<u>1,609,900</u>

These financial statements were approved by the board of directors and authorised for issue on 17 May 2019 and are signed on their behalf by:

  
P. Jassat  
Director

Company Registration Number: 00229231

**The notes on pages 12 to 25 form part of these financial statements**

**EMI GROUP LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2018**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Available for sale investments reserves £'000	Other reserves £'000	Profit & loss account £'000	Total shareholders' funds £'000
Balance brought forward 1 January 2017	128,851	355,786	495,856	41,494	8,664	83,531	1,114,182
<b>Total comprehensive income</b>							
Profit for the financial year	-	-	-	-	-	499,465	499,465
Other comprehensive loss	-	-	-	(3,747)	-	-	(3,747)
Balance brought forward 1 January 2018	128,851	355,786	495,856	37,747	8,664	582,996	1,609,900
<b>Total comprehensive income</b>							
Profit for the financial year	-	-	-	-	-	9,500	9,500
Other comprehensive expense	-	-	-	87,715	-	(7,456)	80,259
<b>Balance carried forward at 31 December 2018</b>	<b>128,851</b>	<b>355,786</b>	<b>495,856</b>	<b>125,462</b>	<b>8,664</b>	<b>585,040</b>	<b>1,699,659</b>

**The notes on pages 12 to 25 form part of these financial statements**

# EMI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2018

---

#### 1. GENERAL INFORMATION

EMI Group Limited is a private company limited by shares and incorporated in the UK under the Companies Act 2006 and registered in England and Wales. The registered office is 4 Pancras Square, London, N1C 4AG.

The principal activities of the company and the nature of its operations are set out in the strategic report on pages 2 to 3.

#### 2. STATEMENT OF COMPLIANCE

The company's financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### 3. ACCOUNTING POLICIES

##### Basis of preparation of financial statements

These financial statements have been prepared on a going concern basis, under the historical cost convention, except available for sale investments which are stated at fair value.

The financial statements are prepared in sterling, which is the functional currency of the company, and have been rounded to the nearest £'000.

##### FRS 102 - Qualifying exemptions

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- from preparing a statement of cash flows and related notes;
- from preparing a reconciliation of the number of shares outstanding from the beginning to the end of the financial year;
- from disclosing related party transactions with wholly owned group entities; and
- from certain financial instrument disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instruments*.

This information is included in the consolidated financial statements of the company's parent undertaking, Vivendi SA, copies of which can be obtained from 42 Avenue de Friedland, 75380 Paris, Cedex 08, France.

##### Other qualifying exemptions

As the parent undertaking prepares publicly available consolidated financial statements and is incorporated within the European Union the company has taken advantage of the exemption under section 400 of the Companies Act 2006 from preparing consolidated financial statements. As such, these financial statements give information about the company as an individual undertaking and not about its group (see note 17).

##### Going concern

The company's business activities, together with the factors likely to affect future developments, its financial exposures and its risk exposures are described in the strategic report.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources available to it to continue in operational existence for the foreseeable future (i.e. for at least 12 months from the date when the financial statements are authorised for issue). Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**EMI GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED 31 DECEMBER 2018**

---

**3. ACCOUNTING POLICIES (continued)**

**Fair value measurement**

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**Investments**

Investments in non-convertible preference shares and non-puttable ordinary or preference shares, where shares are publicly traded or their fair value is reliably measurable, are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

**Investments in subsidiaries and associates**

Investments in subsidiaries and associates are carried at cost less impairment.

**Equity instruments**

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

**Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting conditions of being 'basic' financial instruments are measured at fair value through profit or loss.

**EMI GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED 31 DECEMBER 2018**

---

**3. ACCOUNTING POLICIES (continued)**

**Financial assets and liabilities (continued)**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Impairment (excluding and deferred tax assets)**

***Impairment of assets***

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

***Non-financial assets***

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

***Financial assets***

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.



# EMI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2018

---

### 3. ACCOUNTING POLICIES (continued)

#### Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges, unwinding of the discount on provisions, and net foreign exchange losses that are recognised through profit or loss in the statement of comprehensive income.

Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest receivable and interest payable are recognised in profit or loss as they accrue. Foreign currency gains and losses are reported on a net basis.

#### Dividend income

Dividend income is recognised in the statement of comprehensive income on the date the company's right to receive payments is established.

#### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised through profit or loss in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associated and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### Foreign currencies

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Foreign exchange differences arising on translation are recognised through profit or loss in the statement of comprehensive income.

# EMI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2018

---

### 3. ACCOUNTING POLICIES (continued)

#### Critical accounting judgements and key sources of estimation uncertainty

The directors may make judgements in the application of the accounting policies above that have a significant impact on the amounts recognised, and may make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgements in applying the Company's accounting policies

The directors have concluded there are no critical judgements to disclose.

#### Key source of estimation uncertainty

The directors have concluded there are no key sources of estimation uncertainty to disclose.

### 4. OPERATING LOSS

#### Operating loss is stated after charging:

	2018 £'000	2017 £'000
Depreciation of owned fixed assets	48	48
Auditor's remuneration	10	10
Net loss on foreign currency translation	974	2,338
	<u>          </u>	<u>          </u>

### 5. OTHER EXPENSE

	2018 £'000	2017 £'000
(Accrual)/release of provisions	(2,909)	474,520
	<u>          </u>	<u>          </u>
	(2,909)	474,520
	<u>          </u>	<u>          </u>

The release of provision in the prior year related to loans repaid as part of a loan rationalisation programme and subsequent release of the provision for impairment.

# EMI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2018

---

### 6. AUDITOR'S REMUNERATION

The auditor's remuneration for the year ended 31 December 2018 was £10,300 (2017 - £10,000).

### 7. PARTICULARS OF EMPLOYEES

The company had no employees during the year ended 31 December 2018 (2017 - none).

Emoluments for the directors of the company are paid for by a fellow group company. The fellow group company has not recharged any amount to the company (2017: nil) on the basis that they are unable to make a reasonable apportionment of the portion of these total emoluments that relate to qualifying services provided by directors of the company.

### 8. INCOME FROM PARTICIPATING INTERESTS

	2018 £'000	2017 £'000
Income from participating interests	-	1,347

### 9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £'000	2017 £'000
Interest receivable from group undertakings	17,106	35,922
Other similar income receivable	-	15,748
	<u>17,106</u>	<u>51,670</u>

### 10. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £'000	2017 £'000
Interest payable to group undertakings	2,102	15,297
	<u>2,102</u>	<u>15,297</u>

# EMI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2018

---

### 11. TAX ON PROFIT

#### (a) Analysis of tax charge in the year

	2018 £'000	2017 £'000
<b>Current tax:</b>		
<b>UK Taxation</b>		
In respect of the year		
UK corporation tax based on the results for the year at 19.00% (2017 : 19.25%)	-	7,087
Group relief payable for losses claimed from other group undertakings	1,577	2,667
Total current tax	1,577	9,754
Capital allowances	7,456	-
Total deferred tax (note 16)	7,456	-
Tax on profit	1,577	9,754
Tax on other comprehensive income	7,456	-

# EMI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### YEAR ENDED 31 DECEMBER 2018

#### 11. TAX ON PROFIT (continued)

##### (b) Factors affecting tax charge

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%).

Under the Finance (No.2) Act 2015, the main rate of corporation tax was reduced from 20% to 19% effective from 1 April 2018. A further reduction to 17% from 1 April 2020 will apply by virtue of the Finance Act 2016 s46 which was enacted on 15 September 2016. Deferred tax assets and liabilities are measured at the rate that is expected to apply to the accounting period when the asset is realised or the liability is settled, based on the above rates.

	2018 £'000	2017 £'000
Profit before taxation	11,077	509,219
Profit at the standard rate of UK Corporation tax of 19.00% (2017: 19.25%)	2,105	98,025
Non-taxable income	(2)	(91,504)
Movement in timing differences (no deferred tax provided)	(526)	(822)
Tax deducted at source	-	4,055
Current tax charge for the financial year	1,577	9,754

##### (c) Factors that may affect future tax charges

The company has total unutilised tax losses carried forward estimated at £140,569,128 (2017 - £140,569,128), which may reduce future tax charges. No deferred tax asset has been recognised in respect of these losses due to uncertainty as to their future recoverability.

# EMI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### YEAR ENDED 31 DECEMBER 2018

#### 12. INVESTMENTS

	Shares In Subs/Grp £'000	Participating Interest £'000	Fixed Assets Available-for-sale £'000	Total £'000
<b>COST</b>				
At 1 January 2018	2,904,366	613	43,145	2,948,124
Revaluation	-	-	87,715	87,715
<b>At 31 December 2018</b>	<b>2,904,366</b>	<b>613</b>	<b>130,860</b>	<b>3,035,839</b>
<b>PROVISION FOR IMPAIRMENT</b>				
At 1 January 2018	2,820,333	613	-	2,820,946
<b>At 31 December 2018</b>	<b>2,820,333</b>	<b>613</b>	<b>-</b>	<b>2,820,946</b>
<b>NET BOOK VALUE</b>				
At 31 December 2018	84,033	-	130,860	214,893
At 31 December 2017	84,033	-	43,145	127,178

The movement within available for sale investments relates to foreign currency revaluation of Tencent Music Entertainment Group ("TME") share, and share warrants in Blogmusik. The TME investment was also revalued at the closing share price following its IPO in November 2018.

The fair value of TME shares was determined by reference to the 31st December 2018 closing share price of TME on the New York Stock Exchange.

The fair value of the share warrants in Blogmusik was determined using the Black Scholes model, having taken the following key assumptions:

- implied share price based on most recent observable transactions;
- risk free interest rate based on French government 5 year bonds; and
- volatility of 100%.

#### Subsidiary and related undertakings

Details of the company's subsidiary and related undertakings are listed in note 21.

# EMI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### YEAR ENDED 31 DECEMBER 2018

---

#### 13. DEBTORS: Amounts due within one year

	2018 £'000	2017 £'000
Amounts owed by group undertakings	1,618,755	1,521,613
	<u>1,618,755</u>	<u>1,521,613</u>

All amounts owed from fellow group undertakings 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.

#### 14. CREDITORS: Amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed to group undertakings	124,769	40,167
Other creditors	777	777
	<u>125,546</u>	<u>40,944</u>

All amounts owed to fellow group undertakings are classified as current as they are repayable on demand. Interest rates on intercompany loans have been agreed between parties on a loan by loan basis.

#### 15. PROVISIONS FOR LIABILITIES AND CHARGES

	Other Provisions £'000	Total £'000
At 1 January 2018	-	-
Additions	2,992	2,992
At 31 December 2018	<u>2,992</u>	<u>2,992</u>

Other provisions in the above note relate to EMI Group Ltd's potential liability in settling leases currently reassigned to HMV, for which EMI Group Ltd retains liability in the event of HMV defaulting on payments. This liability was remeasured, having previously been written down to nil, as a result of HMV entering administration in December 2018. The extent and timing of any settlement required to be paid by the company remains uncertain, although this is not expected to crystallise during 2019.

# EMI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2018

### 16. DEFERRED TAXATION

The movement in the deferred taxation account during the year was:

	2018 £'000	2017 £'000
Deferred taxation on other comprehensive income movement arising in the year	7,456	-
	<u>7,456</u>	<u>-</u>

### 17. SHARE CAPITAL

Authorised:

	2018 No	£'000	2017 No	£'000
Ordinary shares of £0.14 each	1,134,206,498	158,789	1,134,206,498	158,789
Ordinary B shares of £1.145 each	419,054,387	479,817	419,054,387	479,817
	<u>1,553,260,885</u>	<u>638,606</u>	<u>1,553,260,885</u>	<u>638,606</u>

Allotted, called up and fully paid:

	2018 No	£'000	2017 No	£'000
Ordinary shares of £0.14 each	920,361,759	128,851	920,361,759	128,851
	<u>920,361,759</u>	<u>128,851</u>	<u>920,361,759</u>	<u>128,851</u>

### 18. RESERVES

Share premium: The reserve records the amount above the nominal value received for shares sold, less transaction costs.

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.

Other reserves: Other reserves of the company contain a special reserve which reflects the share premium account reduction of July 1988.

AFS reserve: Includes amounts on revaluation of investments classified as available for sale.



# **EMI GROUP LIMITED**

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

**YEAR ENDED 31 DECEMBER 2018**

---

### **19. ULTIMATE PARENT COMPANY**

The immediate parent undertaking is EMI Group (Newco) Limited. The ultimate parent undertaking and controlling party is Bolloré Group.

The smallest group in which the results of the company are consolidated is that headed by Vivendi SA, a company incorporated in France. Copies of its annual report in English may be obtained from its registered office at:

42 Avenue de Friedland  
75380 Paris  
Cedex 08  
France

The largest group in which the results of the company are consolidated is that headed by Bolloré Group, a company incorporated in France. Copies of its annual report in English may be obtained from its registered office at:

Tour Bolloré  
31-32 quai de Dion Bouton  
92 811 Puteaux, France

### **20. SUBSEQUENT EVENTS**

The fair value of the investment in Tencent Music Entertainment Group (see note 12) increased to GBP 136,238,763.63 at the reporting date.

# EMI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### YEAR ENDED 31 DECEMBER 2018

#### 21. Subsidiary and related undertakings

Company Name	Registered Office Address	Share class	% Shareholdi
British Sealed Beams Limited	4 Pancras Square, London, N1C 4AG	ordinary	40
EMI (IP) Limited	4 Pancras Square, London, N1C 4AG	ordinary	100
EMI Group Finance Limited	4 Pancras Square, London, N1C 4AG	ordinary	100
Lamp Caps Limited	4 Pancras Square, London, N1C 4AG	ordinary	100
Lamp Metals Limited	4 Pancras Square, London, N1C 4AG	ordinary	50
The In Good Company Co Limited	19 Portland Place, London, W1B 1PX	ordinary	25
Thorn EMI Limited	4 Pancras Square, London, N1C 4AG	ordinary	100
UMG Supply Chain Limited	4 Pancras Square, London, N1C 4AG	ordinary	100
Virgin Music Group	4 Pancras Square, London, N1C 4AG	ordinary	100
Electric and Musical Industries Ltd	4 Pancras Square, London, N1C 4AG	ordinary	100
EMI Group Hayes Ltd	4 Pancras Square, London, N1C 4AG	ordinary	100
IMET (21) Ltd	4 Pancras Square, London, N1C 4AG	ordinary	100
John Taylor, Dunford & Co Ltd	4 Pancras Square, London, N1C 4AG	ordinary	100
Abbey Road Studios Ltd	4 Pancras Square, London, N1C 4AG	ordinary	100
Virgin Records Limited	4 Pancras Square, London, N1C 4AG	ordinary	100
EMI Limited	4 Pancras Square, London, N1C 4AG	ordinary	100
EMI UK Holdings	4 Pancras Square, London, N1C 4AG	ordinary	100
EMI Group Electronics Ltd	4 Pancras Square, London, N1C 4AG	ordinary	100
Universal Music Direct Limited	4 Pancras Square, London, N1C 4AG	ordinary	100
Relentless 2006 Limited	4 Pancras Square, London, N1C 4AG	ordinary	100
Sacred Heart Records Ltd	4 Pancras Square, London, N1C 4AG	ordinary	100
AR Institute S.a.r.l.	124, Boulevard de la Pétrusse, Luxembourg, 2330, Luxembourg	ordinary & class A-J	50
Mawlaw 388 Limited	4 Pancras Square, London, N1C 4AG	ordinary	100
Jaydone Limited	4 Pancras Square, London, N1C 4AG	ordinary	100
EMI Group Worldwide	4 Pancras Square, London, N1C 4AG	ordinary	100
EGW USD	4 Pancras Square, London, N1C 4AG	ordinary	100
Virgin Records Overseas Ltd	4 Pancras Square, London, N1C 4AG	ordinary	100
EMI Discos Mexico SA de CV #	Río Tigris 33, Colonia Cuauhtémoc, Delegación Cuauhtémoc, México, D.F., C.P. 06500, Mexico	fixed capital class I & variable capital class II	50
EMI Group International Holdings Ltd	4 Pancras Square, London, N1C 4AG	ordinary	100

# merged with EMI Music Mexico Sa de CV on 1st January 2019.

# EMI GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### YEAR ENDED 31 DECEMBER 2018

#### 21. Subsidiary and related undertakings (continued)

Company Name	Registered Office Address	Share Class	% Shareholding
E.M.I. Overseas Holdings Ltd	4 Pancras Square, London, N1C 4AG	ordinary	100
EMI Recorded Music Colombia SA (in Liquidation)	Calle 103 No. 19-60, Piso 3, Bogotá, 98765, Colombia	ordinary	100
Universal Music S.A. (Chile)	Av. Santa Maria 2670, Oficina 503, Providencia, Santiago, Chile	n/a*	86
EMI Recorded Music (Chile) Ltd	4 Pancras Square, London, N1C 4AG	ordinary	100
EMI Odeon Sociedad Anonima Industrial y Comercial	Olga Cossettini, 1553, 1st Floor, Ciudad Autónoma de Buenos Aire, C1107 CEK, Argentina	ordinary	90
EMI Group Holdings BV	4 Pancras Square, London, N1C 4AG	ordinary	100
EMI Records Austria GmbH	Kärntner Straße 30, 1010, Wien, Austria	ordinary	100
Virgin Records (India) PVT Ltd	4th Floor, Samir Complex, St. Andrews Road, Bandra (West), Mumbai, 400 050, India	ordinary	100
EMI Recorded Music, SA de CV	Río Tigris 33, Colonia Cuauhtémoc, Delegación Cuauhtémoc, México, D.F., C.P. 06500, Mexico	ordinary	100
EMI Music South Africa (Pty) Ltd	Design District Building, 2nd Floor, 7 Keyes Avenue, Rosebank, Johannesburg, South Africa	ordinary	50
EMI Music de Uruguay SA	none - c/o Attorney's office Bado, Kuster, Zerbino & Rachetti, Treinta y Tres 1269, Montevideo, C.P. 11000, Uruguay	ordinary	100
EMI Holding Lebanon SAL	GEDCO Center, 6th Floor, Horsh Tabet, Beirut, Lebanon	ordinary	98
EMI Music Egypt Ltd	22 Mohamed El Nady Street, Nasr City, Cairo, Egypt	ordinary	100
EMI Music Mexico , SA de CV	Río Tigris 33, Colonia Cuauhtémoc, Delegación Cuauhtémoc, México, D.F., C.P. 06500, Mexico	fixed capital class I & variable capital class II	50
EGH1 BV	Gerrit van der Veenlaan 4, 3743 DN, Baarn, Netherlands	ordinary	100
Relax In Music SAL	GEDCO Center, 6th Floor, Horsh Tabet, Beirut, Lebanon	ordinary	60
Relax-In Egypt Ltd	9 Ymen Street, Lebanon Sq - El Mohandssen, Abd Al Halem Gaafar Office, Cairo, Egypt	ordinary	100
EMI Records France Holdco Ltd	4 Pancras Square, London, N1C 4AG	ordinary	100
Minos EMI SA	245-247 Messoghion Avenue, Neo Psychico, Athens, 15451, Greece	ordinary	100
OY EMI Finland Ab	Merimiehenkatu 36 D, Helsinki, 00150, Finland	ordinary	100
EMI -Kent Elektronik San Ve Tic AS	Inonu Cad. No: 59 D:1-3 Ankara Palas, Gumussuyu, Istanbul, 34437, Turkey	ordinary	100
Universal Music Taksim Edisyon AS	Arnavutköy Mah Kamaci, Sokak No:10, 34345 Besiktas, Istanbul, Turkey	ordinary	100
Universal Music Publishing Turkey Muzik Yayim Limited Sirketi	Arnavutkoy Mah. Kamaci Sok, No. 10 34345 Arnavutkoy, Besiktas, Istanbul, Turkey	ordinary	100

\* this company has no shares.