COMPANY No 1070953

Virgin Records Limited

Report and Financial Statements

31 March 2007

Registered No 1070953

Directors
R Punja
S Alexander
C Roling

Secretaries
Mawlaw Secretaries Limited
C L Christian

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
Crown House
72 Hammersmith Road
London W14 8UD

Directors' report

The directors present their report and financial statements for the year ended 31 March 2007

Results and dividends

The loss for the year, after taxation, was £217,498,000 (2006 – profit of £28,355,000)

The directors recommended and paid an interim dividend amounting to £21,970,000 (2006 – £24,650,000)

Principal activity and review of the business

The company is engaged in the production of popular music by exploiting the copyright of recordings and videos relating to rights obtained through contracts made with artists

Both the level of business and the year-end financial position were satisfactory and the directors expect that the present level of activity will be sustained in the foreseeable future

Financial review

Turnover has decreased by £13,976,000 (19%) compared to the prior year, whilst operating loss (operating margin) has increased by £227,370,000 (26,530 9%) and net assets have decreased by £21,987,000 (4 4%)

Analysis of key performance indicators

The company is part of the Music division of EMI Group, for which the key performance indicators have been identified as operating margin and market share Operating margin is discussed in the financial review paragraph above It is not possible to calculate market share at the individual statutory entity level

Key risks and uncertainties

The company faces a number of risks and uncertainties The value of the worldwide market for recorded music has declined by about 20% since 2001 according to data from the IFPI Whilst we believe that new digital products and services will drive a return to overall industry growth, there are no assurances of the timing or extent of any improvement A continuing decline in sales of physical products could, if not offset by increasing digital revenues, result in reduced revenues and profits We are dependent on identifying, signing and retaining talented artists whose new releases are well received and whose music will continue to generate revenues for years to come Competition for such talent is intense and our financial results would be adversely affected if we fail to identify, sign and retain artists under terms that are attractive to us

Events after the balance sheet date

It was announced on 21 May 2007 that the Boards of Directors of Maltby Limited ("Maltby"), a company formed at the direction of Terra Firma, and EMI Group plc, the parent undertaking, had reached agreement on the terms of a recommended cash offer by Maltby to acquire the whole of the issued and 'to be issued' share capital of EMI Group plc (the "Offer") The Offer Document was posted to EMI shareholders on 30 May 2007 On 1 August 2007, the Board of Directors of Maltby announced that the Offer had become unconditional as to acceptances and would remain open until further notice, and that the Conditions set out in paragraphs 1(b) and 1(d) of Part A of Appendix I to the Offer Document (being the conditions relating to the EC Merger Regulation and the US Hart-Scott-Rodino Antitrust Improvements Act of 1976) had already been satisfied The Offer remained subject to the further Conditions set out in paragraphs 1(c) and 1(e) to 1(i) of Part A of Appendix I to the Offer Document On 17 August 2007, the board of directors of Maltby announced that the Offer had become unconditional in all respects On 18th September 2007, following applications to the Financial Services Authority for cancellation of the listing of EMI Group plc shares on the Official List and to the London Stock Exchange for the cancellation of the admission of EMI Group plc shares to trading on the London Stock Exchange's market for listed securities, the cancellations took effect

Directors' report (continued)

Events after the balance sheet date (continued)

On 27 November 2007 the company issued 25,000,000 shares of £1 nominal value for a total consideration of £25,000,000

Supplier payment policy

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

The company emphasises the importance of prompt payment to small-sized businesses in line with UK governmental and CBI initiatives

At 31 March 2007 the company had an average of 45 days' (2006 – 45) purchases outstanding in trade creditors.

Directors and their interests

The directors who served the company during the year were as follows

R Punja	(appointed 23 November 2007)
S Alexander	(appointed 23 November 2007)
C Roling	(appointed 23 November 2007)
J French	(resigned 23 November 2007)
D J T Bratchell	(resigned 23 November 2007)
C J Kennedy	(resigned 23 November 2007)
C J Ancliff	(resigned 23 November 2007)
J H Morris	(resigned 23 November 2007)

The directors had no interests in the share capital of the company at any time during the year

Disclosure of information to auditors

In the case of the persons who are directors at the time when the report is approved under the Companies Act 1985 s234A
a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
b) each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the Board

Director

30 NOV 2007

Statement of directors' responsibilities

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) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of Virgin Records Limited

We have audited the company's financial statements for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you, if in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Independent auditors' report

to the members of Virgin Records Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst + Young LLP

Ernst & Young LLP
Registered Auditor
London

30 November 2007

Profit and loss account

for the year ended 31 March 2007

	Notes	2007 £000	2006 £000
Turnover	2	59,414	73,390
Cost of sales		(45,325)	(59,959)
Gross profit		14,089	13,431
Distribution costs		(2,460)	(1,994)
Administrative expenses			
Before exceptional costs		(22,110)	(18,507)
Exceptional items	6	(222,036)	-
		(244,146)	(18,507)
Other operating income		4,290	6,213
Operating loss	3	(228,227)	(857)
Income from shares in group undertaking		21,276	10,150
Income receivable and similar income	7	36,426	33,489
Interest payable and similar charges	8	(14,938)	(13,663)
		42,764	29,976
(Loss)/profit on ordinary activities before taxation		(185,463)	29,119
Tax on profit on ordinary activities	9	(32,035)	(764)
(Loss)/profit for the year	16	(217,498)	28,355

All of the activities of the company are classed as continuing

Statement of total recognised gains and losses

for the year ended 31 March 2007

There are no recognised gains or losses other than the loss of £217,498,000 in the year ended 31 March 2007 and a profit of £28,355,000 in the year ended 31 March 2006

Balance sheet

at 31 March 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Investments	10	643,778	861,259
Current assets			
Stock	11	390	322
Debtors	12	1,505,390	1,507,576
Cash at bank and in hand		–	–
		1,505,780	1,507,898
Creditors amounts falling due within one year	13	(1,032,520)	(1,012,651)
Net current assets		473,260	495,247
Total assets less current liabilities		1,117,038	1,356,506
Capital and reserves			
Called up share capital	14	860,390	860,390
Profit and loss account	16	256,648	496,116
Equity shareholders' funds	16	1,117,038	1,356,506

The financial statements were approved by the Board on 30/11/07
and signed on its behalf by

Director

Notes to the financial statements

at 31 March 2007

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and on a going concern basis

The financial statements have been prepared in accordance with applicable accounting standards

Group financial statements

The company is exempt from the obligation to prepare and deliver group financial statements as it is a subsidiary undertaking of an EEA parent, in accordance with section 228 of the Companies Act 1985 Financial statements present information about the company as an individual undertaking, and not about its group

Statement of cash flows

A statement of cash flows is not prepared as the company is exempt, by virtue of paragraph 8 of FRS 1, by being a subsidiary undertaking of a parent undertaking registered in England and Wales which prepares a group statement of cash flows

Investments

Investments in subsidiary and associated undertakings are stated at cost less, where relevant, a provision to reflect any permanent diminution in value

Stocks

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

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date All differences are taken to the profit and loss account

Revenue

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

- Sale of goods revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured Revenue is measured at fair value after making provision in respect of expected future returns of goods and services supplied by the company prior to the balance sheet date

- Royalty and other income all royalty and other income is recognised when it has been earned and can be reliably measured

- Interest income is recognised when it has been earned and can be reliably measured

Notes to the financial statements

at 31 March 2007

1. Accounting policies (continued)

Advances

In the ordinary course of business the company pays advances and other expenses recoupable from future royalties to performing artists, songwriters, producers and third-party repertoire owners The amounts paid are carried at cost less recoupment and less an allowance for any unrecoupable amounts The allowance is based on past revenue performance, current popularity and projected revenue Advances are recoupable during the business operating cycle All advances are therefore reported as current assets, including advances recoupable more than 12 months after the balance sheet date

Share-based payments

The share option programme of EMI Group Plc allows certain employees of the company to acquire shares of EMI Group Plc The fair value of options granted is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and the expense is spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using a binomial lattice model, taking into account the terms and conditions upon which the options were granted

The amount recognised as an expense reflects the extent to which the vesting period has expired and the group's best estimate of the number of awards that will ultimately vest No expense is recognised for awards that do not ultimately vest, except for awards where the 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 conditions are satisfied

The group has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards and has applied FRS 20 only to equity-settled awards granted after 7 November 2002 that had not vested on or before 1 January 2005

Pensions

The company operates defined contribution pension schemes for its employees and executives The assets of the schemes are held separately from those of the company in independently administered funds The pension cost charge represents contributions payable by the company to the funds

2. Turnover

Turnover is stated net of value added tax and represents amounts invoiced to third parties Turnover is attributable to one activity, the exploitation of contracts made with artists

Analysis of turnover by geographical area

	2007	*2006*
	£000	*£000*
United Kingdom	43,672	51,693
Rest of the world	15,742	21,697
	59,414	73,390

3. Operating loss

Auditors' remuneration for the current year of £70,316 was paid for in full by EMI Records Limited (2006 – £61,656)

Notes to the financial statements

at 31 March 2007

4. Directors' emoluments

The emoluments of the directors of the company were borne by other group companies

5. Staff costs

	2007	2006
	£000	£000
Wages and salaries	2,807	2,278
Social security costs	308	300
Other pension costs	8	1
	3,123	2,579

The average number of employees during the year was made up as follows

	2007	2006
	No	No
Marketing and production	36	39

6. Exceptional items

	2007	2006
	£000	£000
Recognised in arriving at operating result		
Roster reduction	4,344	-
Headcount reduction	211	-
Impairment of investments	217,481	-
	222,036	-

Roster reduction is the termination of artist contracts in the current year The exceptional items have no impact on tax or minority interests

7. Interest receivable and similar income

Interest receivable comprises the following

	2007	2006
	£000	£000
Interest on group loans	36,426	33,489

Notes to the financial statements

at 31 March 2007

8 Interest payable and similar charges

	2007 £000	2006 £000
Group interest payable	14,938	13,663

9 Tax

(a) Tax on profit on ordinary activities

	2007 £000	2006 £000
UK corporation tax		
UK corporation tax on profits of the period	594	764
Payments in respect of group relief – current year	13,365	–
Payments in respect of group relief – prior year	18,076	–
Double taxation relief	(594)	(764)
	31,441	–
Foreign tax		
Current year	594	764
Adjustments in respect of previous periods	–	–
	594	764
Total current tax charge	32,035	764
Deferred tax		
Origination and reversal of timing differences	–	–
Effect of changes in tax rate on opening liability	–	–
Changes in recoverable amounts of deferred tax assets	–	–
	–	–
Tax on profit on ordinary activities	32,035	764

(b) Factors affecting current tax charge

	2007 £000	2006 £000
(Loss)/profit on ordinary activities before tax	(185,463)	29,119
(Loss)/profit on ordinary activities multiplied by standard rate of corporation Tax in the UK of 30% (2006 – 30%)	(55,639)	8,736
Effect of		
Permanent differences	65,244	(7,972)
Group relief surrendered for payment of greater than 30% – current year	22,413	–
Group relief surrendered for payment of greater than 30% – prior year	17	–
Total current tax charge	32,035	764

Notes to the financial statements

at 31 March 2007

9. Tax (continued)

(c) Factors affecting future tax charge

As part of the EMI Group, the company may receive surrender losses by way of group relief This receipt or surrender may be made with or without charge, although group policy is currently to charge £1 for every £1 of group relief received

(d) Deferred tax

At the balance sheet date the company had unused losses of £nil available for offset against future profits

(e) Prior year taxation

The company is primarily liable for UK corporation tax on its profits However, no provision has been made in prior years for either current or deferred taxation as an undertaking had been received from its ultimate parent undertaking, EMI Group plc, that the latter entity assumed all liability for any taxation for accounting periods ending up to 31 March 2006 so long as the company remained a subsidiary This undertaking was withdrawn in respect of periods beginning on or after 1 April 2006 although it remains effective for previous periods Consequently current and deferred taxation have been provided in the company for the year to 31 March 2007

10. Investments

Shares in group undertakings

	£000
Cost	
At 31 March 2006	882,205
Additions	–
At 31 March 2006	882,205
Provisions	
At 31 March 2006	20,946
Amounts written off	217,481
At 31 March 2007	238,427
Net book value	
At 31 March 2007	643,778
At 31 March 2006	861,259

Notes to the financial statements

at 31 March 2007

10. Investments (continued)

Principal subsidiary undertakings

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

The principal subsidiary undertakings of Virgin Records Limited are as follows

Subsidiary undertakings	*Interest % (ordinary shares)*	*Nature of business*
Ten Records Limited	92 50	Non-trading
Charisma Records Limited	100 00	Non-trading
Circa Records Limited	99 50	Non-trading
Siren Records Limited	100 00	Non-trading
Associated Virgin Record Labels Limited	50 00	Non-trading
Leisure and Entertainment Limited	50 00	Holding company
Virgin EG Records Limited (held by subsidiary undertaking)	100 00	Non-trading
Sacred Heart Records Limited	100 00	Non-trading
EMI UK Holdings	100 00	Holding company
Mawlaw 388 Limited	75 00	Record company
EMI Limited	100 00	Holding company
Circa DRTV Limited (formerly Virgin Records DRTV Ltd)	100 00	Record company
Virgin Music Limited	98 75	Non-trading
Jaydone Limited	50 01	Record company
Relentless 2006 Limited	50 10	Record company

All of the above companies are registered in England and Wales

11. Stock

	2007	*2006*
	£000	*£000*
Finished goods and goods for resale	390	322

12. Debtors

	2007	*2006*
	£000	*£000*
Trade debtors	15,243	27,819
Amounts owed by group undertakings	368,737	409,195
Other debtors	4,815	2,482
Interest-free loan to parent undertaking	332,595	285,990
Interest-bearing loan to parent undertaking	784,000	782,090
	1,505,390	1,507,576

Trade debtors include amounts relating to artist advances which may not be fully recoverable within one year It is not possible to quantify accurately such amounts

The interest-bearing loan bears interest at a UK prime rate All loans are repayable on demand

Notes to the financial statements

at 31 March 2007

13. Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	10,280	8,769
Royalties payable	14,859	14,676
Amounts owed to group undertakings	4,363	1,166
Accruals and deferred income	9,269	9,230
Interest-free loan from parent undertaking	726,634	726,634
Interest-bearing loan from parent undertaking	267,115	252,176
	1,032,520	1,012,651

The interest-bearing loan bears interest at a UK prime rate All loans are repayable on demand

14 Share capital

Authorised	2007 £000	2006 £000
Ordinary shares of £1 each	1,200,000	1,200,000

Allotted, called up and fully paid	£000	£000
Ordinary shares of £1 each	860,390	860,390

15. Share based payments

Equity-settled share option schemes

Subscription options

Options granted under the 1995 Executive Share Option Scheme ('ESOS') are normally exercisable no earlier than three years and no later than ten years following the date of grant and are subject to the achievement of performance requirements that must be met before the options normally become exercisable Options granted under the 2003 Executive Share Incentive Plan ('ESIP'), if subject to a pre-vesting performance requirement, are normally exercisable between three and ten years following the date of grant but only if, and to the extent that, the pre-vesting target has been satisfied Options granted with pre-grant conditions normally become exercisable in no fewer than four annual tranches commencing no earlier than the second anniversary of the grant date There are no cash settlement alternatives for the schemes

Employee Plan

Options granted under the 1994 and 2004 Savings-Related Share Option Schemes ('SRSOS') are normally exercisable for a six month period following completion of savings to either a three year or a five year savings contract There are no performance criteria attached to these awards

Notes to the financial statements

at 31 March 2007

15. Share based payments (continued)

Details of the share options outstanding during the year are as follows

			Subscription Options	
	Executive share option schemes number	*Weighted average exercise prices £*	*1994&2004 savings related share option schemes number*	*Weighted average exercise prices £*
Outstanding at 1 April 2005	1,237	2 33	30,077	0 96
Granted	–	–	9,134	1 99
Exercised	–	–	–	–
Lapsed	–	–	–	–
Outstanding at 31 March 2006	1,237	2 33	39,211 [1]	1 20
Granted	–	–	1,755	2 13
Exercised	–	–	(13,489)	0 96
Lapsed	–	–	–	–
Outstanding at 31 March 2007	1,237	2 33	27,477	1 38
Exercisable at the end of 31 March 2007	–	–	–	–
Exercisable at the end of 31 March 2006	–	–	–	–
Final exercise date	13 Nov -16		1 Sept-12	

[1] Included within the following schemes are options that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002

ESOS - subscription options over 1,237 shares (2006 - 1,237 shares)

SRSOS - None

These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2

The weighted average share price at the date of exercise for the following schemes are

ESOS - subscription options £2 69 (2006 – £2 49)

SRSOS - subscription options £2 59 (2006 – £2 43)

For the share options outstanding as at 31 March 2007, the weighted average remaining contractual life is 5 1 years (2006 – 6 4 years)

The actual expense recognised for equity settled share-based payment in respect of employee services received during the year to 31 March 2007 is £nil (2006 – £nil)

Notes to the financial statements

at 31 March 2007

15. Share based payments (contınued)

The weıghted average faır value of share optıons granted durıng the year was 86 4p (2006 85 6p) The range of exercıse prıces for optıons outstandıng at the end of the year was £7 00 - £0 96 (2006 £7 35 - £0 96) The weıghted average faır value of optıons granted durıng the year, the exercıse of whıch ıs subject to a performance condıtıon, was 86 3p (2006 120 5p) whıle the weıghted average faır value of optıons granted under the SRSOS durıng the year was 98 0p (2006 89 5p)

The faır value of equıty-settled share optıons granted ıs estımated as at the date of grant usıng a proprıetary bınomıal model takıng ınto account the terms and condıtıons upon whıch the optıons were granted The servıces receıved and the expense for those servıces are recognısed over the expected vestıng perıod

For awards wıth market condıtıons attached, the modellıng of the ımpact of thıs TSR condıtıon ıs performed usıng a Monte Carlo model based on the hıstory of weekly returns of the constıtuents of the FTSE 250 ındex

The followıng table lısts the varıables used ın the model for the years endıng 31 March 2007 and 31 March 2006

	Share Optıons	*Performance Shares*	*2007 ShareSave*
Weıghted average share prıce at grant	250 8p	250 8p	277 8p
Weıghted average exercıse prıce	255 8p	n/a	213 0p
Weıghted average expected volatılıty	39%	39%	34%
Weıghted average expected lıfe (years)	4 7	3 0	4 1
Rısk free rate	Range used ıs between 4 7% to 4 8%		
Weıghted average expected dıvıdend yıeld	3 1%	3 1%	2 9%

	Share Optıons	*Performance Shares*	*2006 ShareSave*
Weıghted average share prıce at grant	254 3p	254 3p	249 0p
Weıghted average exercıse prıce	255 7p	n/a	198 0p
Weıghted average expected volatılıty	39%	39%	40%
Weıghted average expected lıfe (years)	4 8	3 5	4 3
Rısk free rate	Range used ıs between 4 1% to 4 4%		
Weıghted average expected dıvıdend yıeld	3 2%	3 2%	3 2%

Expected volatılıty ıs the measure of the amount by whıch a prıce ıs expected to fluctuate durıng a perıod The measure of volatılıty used ın optıon prıcıng models ıs the annualısed standard devıatıon of the contınuously compounded rates of return on the share For each grant the assumed volatılıty has been calculated over a perıod prıor to grant commensurate wıth the expected lıfe of the award Adjustments have been made for hıstorıc events that are unlıkely to recur ın the future

Notes to the financial statements

at 31 March 2007

16. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	*Profit and loss account £000*	*Total share-holders' funds £000*
At 31 March 2005	860,390	492,411	1,352,801
Profit for the year	–	28,355	28,355
Dividend paid	–	(24,650)	(24,650)
At 31 March 2006	860,390	496,116	1,356,506
Loss for the year	–	(217,498)	(217,498)
Dividend paid	–	(21,970)	(21,970)
At 31 March 2007	860,390	256,648	1,117,038

17. Financial commitments

The company has commitments, which are largely performance related, to pay advances to artists and repertoire owners amounting to approximately £19,140,000 at 31 March 2007 (2006 – £25,093,000)

18. Capital expenditure

No capital expenditure had been contracted for or approved by the directors of the company at 31 March 2007 (2006 – £nil)

19. Contingent liability

The company has undertaken, together with certain other UK undertakings within the EMI group, to give joint and several guarantees to the bank in respect of amounts due to the bank from the company and other group undertakings

20. Pension commitments

As noted in the company accounting policies, the company is a member of the EMI Group Pension Fund (UK fund), a defined benefit pension scheme for EMI Group plc 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 £8,000 (2006 – £1,000)

As at 31 March 2007, the UK fund had scheme assets with a fair value of £955m (2006 – £963m) and a present value of defined benefit obligations of £962m (2006 – £951m) resulting in a net pension liability of £7m (2006 – net asset of £12m) The date of the last actuarial valuation of scheme assets and obligations was 31 March 2006, and was based on the projected unit method

21. Related party transactions

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

Notes to the financial statements

at 31 March 2007

22. Events after the balance sheet date

It was announced on 21 May 2007 that the Boards of Directors of Maltby Limited ("Maltby"), a company formed at the direction of Terra Firma, and EMI Group plc, the parent undertaking, had reached agreement on the terms of a recommended cash offer by Maltby to acquire the whole of the issued and to-be-issued share capital of EMI Group plc (the "Offer") The Offer Document was posted to EMI shareholders on 30 May 2007 On 1 August 2007, the Board of Directors of Maltby announced that the Offer had become unconditional as to acceptances and would remain open until further notice, and that the conditions set out in paragraphs 1(b) and 1(d) of Part A of Appendix I to the Offer Document (being the conditions relating to the EC Merger Regulation and the US Hart-Scott-Rodino Antitrust Improvements Act of 1976) had already been satisfied The Offer remains subject to the further conditions set out in paragraphs 1(c) and 1(e) to 1(i) of Part A of Appendix I to the Offer Document On 18 September 2007, following applications to the Financial Services Authority for cancellation of the listing of EMI Group plc shares on the Official List and to the London Stock Exchange for the cancellation of the admission of EMI Group plc shares to trading on the London Stock Exchange's market for listed securities, the cancellations took effect

On 27 November 2007 the company issued 25,000,000 shares of £1 nominal value for a total consideration of £25,000,000

23. Ultimate parent undertaking

The company's immediate parent undertaking is EMI Group Holdings (UK) Limited

The ultimate parent undertaking of the group of undertakings for which group financial statements are drawn up and of which the company is a member is EMI Group plc, registered in England and Wales This is the smallest and largest group of which the company is a member and for which group financial statements are prepared

Copies of EMI Group plc's financial statements can be obtained from EMI Group plc, 27 Wrights Lane, London, W8 5SW