

EMI (IP) LIMITED

DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 March 2006.

Business Review and Principal Activity

The Company is a wholly owned subsidiary of EMI Group plc. The principal activity of the Company is the management of intellectual property. There has not been any change to the principal activity of the Company during the year ended 31 March 2006. The directors do not anticipate any change to the principal activity of the company during the next year.

Financial Review

As stated in the profit and loss account on page 5 the Company made a profit before tax of £392,000 in the year to 31 March 2006 which is at the same level as the prior year.

In the balance sheet shown on page 6 there have been no significant changes in the net assets of the Company compared with the prior year.

Principal Risks and Uncertainties

The Company operates as part of the EMI Group and all of its transactions are with fellow group undertakings. As such its activities are dependent on the activities of the EMI 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 the Group's annual report.

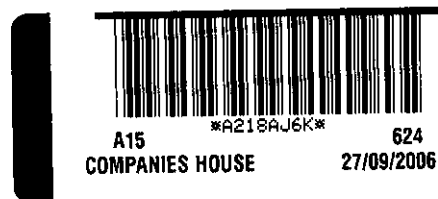
Dividends

The Directors do not recommend payment of a dividend. No dividends were paid during the current or prior year.

Directors and their Interests

The Directors throughout the year were as follows:

C J Ancliff
C P Ashcroft
S M Boon (resigned 30/06/2005)
F M Harding



No Director had any interest in the shares of the Company at any time during the year.

Directors' Report Continued

The interests of the Directors in the share capital of EMI Group plc, the ultimate parent undertaking, at the year end were as follows:

	<u>Ordinary Shares</u>		<u>Senior Executive Incentive Plan/Executive Share Incentive Plan</u>			<u>Options*</u>		
	1/4/05	31/3/06	1/4/05	31/3/06		Granted During the Year	Exercised/ Renounced/ Lapsed	31/3/06
C J Ancliff	3,569	3,569	-	-	227,560	63,824	-	291,384
C P Ashcroft	-	-	365,492	492,157	1,135,536	253,331	-	1,388,867
F M Harding	-	-	-	-	6,651	1,660	-	8,311

* Options over Ordinary Shares are granted under Savings-Related and Executive Share Option Schemes.

Directors' and Officers' Liability Insurance

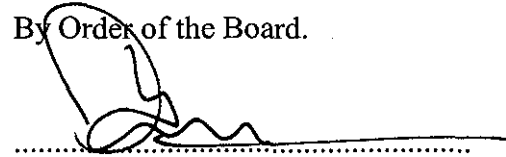
The ultimate parent undertaking, EMI Group plc, has maintained insurance to cover Directors' and Officers' liability as permitted by Section 310(3) of the Companies Act 1985.

Auditors

Ernst & Young LLP has expressed its willingness to continue in office as auditors.

The Company having passed an Elective Resolution at a duly convened meeting of the members is exempt from the need to re-appoint auditors annually. Ernst & Young LLP therefore continue in office for the forthcoming year in accordance with Section 385A of the Companies Act 1985.

By Order of the Board.



 For and on behalf of
 Mawlaw Secretaries Limited
 Secretary

Date: 13.9.2006

Registered Office
 27 Wrights Lane
 London
 W8 5SW

EMI (IP) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The Directors are responsible for preparing the accounts in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which 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 those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which 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 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.

So far as each Director is aware, there is no relevant audit information (as defined in S244ZA (3) of the Companies Act 1985) of which the Company's auditors are unaware, and each Director has taken all steps that he or she ought to have taken as a Director in order to make himself or herself aware of, and to establish that the auditors are aware of, any relevant audit information.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EMI (IP) LIMITED

We have audited the company's financial statements for the year ended 31 March 2006 which comprise the Profit and Loss Account, Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 7. These financial statements have been prepared on the basis of 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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also 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.

Basis of audit opinion

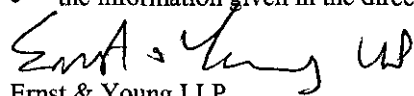
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

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 2006 and of its profit 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
Registered Auditor
London

20.9.06

EMI (IP) LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006**

	Notes	2006 £000	2005 £000
Other income		392	392
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		392	392
		<hr/>	<hr/>
Taxation	7	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		392	392
		<hr/>	<hr/>
Dividends paid		-	-
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR		392	392
		<hr/>	<hr/>

All activities are continuing.

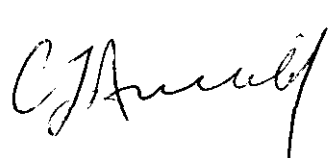
STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses in the year other than the profit of £392,000 (2005: profit £392,000).

EMI (IP) LIMITED

BALANCE SHEET - 31 MARCH 2006

	Notes	2006 £000	2005 £000
CURRENT ASSETS:			
DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amount due from parent undertaking		786	394
		<hr/>	<hr/>
		786	394
		<hr/>	<hr/>
CAPITAL AND RESERVES: EQUITY			
Called up share capital	2	2	2
Profit and loss account	3	784	392
		<hr/>	<hr/>
		786	394
		<hr/>	<hr/>

)
) Director
13/4/06

EMI (IP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF ACCOUNTING

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Cashflow

The Company has taken advantage of the exemption in FRS1 (revised) not to prepare a cashflow statement as its ultimate parent undertaking prepares a consolidated cashflow statement in accordance with FRS1 (revised).

Events after the balance sheet date

The adoption of FRS21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the Company declares dividends to the holders of equity instruments after the balance sheet date, the Company does not recognise those dividends as a liability at the balance sheet date, even if those dividends are paid or approved by the shareholders before the financial statements are authorised for issue. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been included in liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date. Interim dividends are recorded as appropriations from equity in the year in which they are paid. FRS21 has been applied retrospectively. There has been no effect on the result of the company in the prior year from the application of FRS21.

Related Parties

The Company has taken advantage of the exemption in FRS8 not to disclose related party transactions with wholly owned fellow subsidiary undertakings.

2. SHARE CAPITAL

	2006 £	2005 £
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid 2 ordinary shares of £1 each	2	2

EMI (IP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<u>Share Capital</u>	<u>Profit & Loss Account</u>	<u>Total</u>
	£000	£000	£000
At 1 April 2005	2	392	394
Profit for the year	-	392	392
	<hr/>	<hr/>	<hr/>
At 31 March 2006	2	784	786
	<hr/>	<hr/>	<hr/>

4. DIRECTORS' EMOLUMENTS AND STAFF COSTS

No Director received any remuneration during the year in respect of his/her services to the Company. The Company had no employees.

5. PARENT UNDERTAKING

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is EMI Group plc, which is the ultimate parent undertaking registered in England and Wales. Copies of EMI Group plc's accounts can be obtained from EMI Group plc, 27 Wrights Lane, London W8 5SW, England.

6. AUDITORS' REMUNERATION

The auditors' remuneration is borne by the parent undertaking.

EMI (IP) LIMITED**NOTES TO THE FINANCIAL STATEMENTS CONTINUED****7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2006 £000	2005 £000
Profit on ordinary activities before tax	392	392
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005: 30%)	118	118
Group relief	(118)	(118)
	<hr/>	<hr/>
Total current tax	-	-
	<hr/>	<hr/>

The Company is primarily liable for UK corporation tax on its profits. However, no provision has been made in these accounts for either current or deferred taxation, as an undertaking has been received from its ultimate parent undertaking, EMI Group plc, that the latter will assume all liability for any such taxation as long as the Company remains a subsidiary. In view of the undertaking received, no disclosure is made in these accounts for any potential liability to taxation.