EMI (IP) Limited

Director's report and financial statements

Registered number 3984464

31 March 2009

DIRECTOR'S REPORT

The director presents the Director's Report and financial statements for the year ended 31 March 2009.

Principal Activities and Review of the Business

EMI (IP) Limited (the "Company") is a wholly owned subsidiary of Maltby Capital Limited. TFCP Holdings Limited is the ultimate parent undertaking.

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 2009 or subsequently. The director does not anticipate any change to the principal activity of the Company during the next year.

The Company operates as part of the Maltby Capital Limited Group ("the Group") and all of its transactions are with fellow Group undertakings. As such its activities are dependent on the activities of the Group as a whole. Therefore, the Company's key financial and other performance indicators during the year were as follows:

	2009	2008	Change
	£000	£000	%
Profit before tax	392	392	-
Profit after tax	392	392	-
Shareholders' funds	784	392	+100

As stated in the profit and loss account on page 8, the Company made a profit after tax of £392,000 in the financial year ended 31 March 2009, which is consistent with the prior year profit after tax of £392,000.

In the balance sheet shown on page 9, the net assets of the Company have increased by £392,000 as intercompany loans have increased. Shareholders' funds have increased by £392,000 as a result of retained earnings for the year.

DIRECTOR'S REPORT (continued)

Principal Risks and Uncertainties

The Company operates as part of the Group and all of its transactions are with fellow Group undertakings. As such its activities are dependent on the activities of the Group as a whole.

The risks and uncertainties facing the Company are linked to those of the Group. A detailed discussion of the Group risks and uncertainties is contained in Maltby Capital Limited's annual report.

Dividends

The director does not recommend payment of a dividend (2008: £nil).

Directors

The directors throughout the year were as follows:

A P Chadd	(Appointed 22.09.2008)
C J Kennedy	(Appointed 17.12.2008) (Resigned 08.07.2009)
S H Alexander	(Appointed 23.11.2007) (Resigned 17.12.2008)
R Punja	(Appointed 23.11.2007) (Resigned 17.12.2008)
C J Roling	(Appointed 23.10.2007) (Resigned 22.09.2008)

Director's Qualifying Third Party Indemnity Provisions

The immediate parent undertaking, EMI Group Limited (formerly EMI Group Plc), has maintained insurance to cover the director and Officers' liability as permitted by Section 310(3) of the Companies Act 1985.

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

Donations

Grants and charitable donations made during the year amounted to £nil (2008: £nil). There were no political contributions made during the year (2008: £nil).

Disclosure of information to the auditor

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

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

DIRECTOR'S REPORT (continued)

By Order of the Board.

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A P Chadd
Director
29 January 2010

Registered Office
27 Wrights Lane
London
W8 5SW

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE DIRECTOR'S REPORT AND THE FINANCIAL STATEMENTS

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

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

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 director is required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and estimates that are reasonable and prudent;

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

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

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable him to ensure that its financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

We have audited the financial statements of EMI (IP) Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities on page 4.

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 Director's 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 director's remuneration and other transactions is not disclosed.

We read the Director's 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 judgments made by the director 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 EMI (IP) LIMITED (continued)

In our opinion:

• the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009 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 Director's Report is consistent with the financial statements.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern.

The Company has provided a guarantee to the Group's lender and so as such is affected by the terms of the Group's banking facilities. The continued availability of existing bank facilities requires the Group to comply with the covenants set out in those bank facilities.

The ability of the Company and the Group to continue as a going concern is dependent upon the continued availability of existing banking facilities, which require the Group to comply with the covenants set out in those facilities. The ability of the Group to comply with its covenants is dependent upon the outcome of the actions described in note 1, in particular the agreement of Group's shareholders to the provision of equity cure funding on the basis described, as well as the Group's ability to generate earnings and cash flows substantially in line with its forecasts. However, as described in note 1, notwithstanding the current discussions no agreement has yet been reached with the Group's shareholders and there is no certainty that such an agreement will eventually be reached, or will be reached within the time available under the Group's banking facilities for additional equity to be injected.

Furthermore, a satisfactory funding agreement with the Trustees of the EMI Group Pension Fund still has yet to be reached. As described in note 1, should contributions to remove any deficit in the Fund be required prior to the expiry of the Group's existing banking facilities, it is expected that, absent agreement from the lender, funding for these contributions, which would be likely to be spread over a number of years, will need to be met by additional funds from the shareholders. There is no certainty that such funds will be available.

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

These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
29 January 2010

8 Salisbury Square
London
EC4Y 8BB

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £000	2008 £000
Other income		392	392
PROFIT ON ORDINARY ACTIVTIES BEFORE TAXATION		392	392
Taxation	2	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		392	392

All operating profit is from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2009

There are no recognised gains or losses attributable to the shareholders of the Company other than the profit of £392,000 (2008: profit of £392,000).

BALANCE SHEET - 31 MARCH 2009

	Notes	2009 £000	2008 £000
DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amount due from fellow Group undertakings		1,960	1,568
TOTAL ASSETS LESS CURRENT LIABILITIES		1,960	1,568
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Amount due to fellow Group undertakings		(1,176)	(1,176)
NET ASSETS		784	392
CAPITAL AND RESERVES			
Called up share capital	3	-	-
Profit and loss account	4	784	392
SHAREHOLDERS' FUNDS	4	784	392

These financial statements were approved for issue by the Board of Directors on 29 January 2010 and were signed on its behalf by:

A P Chadd
Director

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared under the historical cost convention.

The financial statements are prepared in accordance with applicable accounting standards.

Going Concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The following information is relevant when considering the financial position of the Group. Furthermore, the Company has provided a guarantee to the Group's lender and so as such is affected by the terms of the Group's banking facilities.

The Group's lender has provided the Group with a number of banking facilities which are repayable from 2014 and 2015. The facilities include certain financial covenant tests which are performed quarterly in respect of rolling one year periods ending on 31 March, 30 June, 30 September and 31 December and certain other covenants and events of default. The breach of a covenant or occurrence of an event of default renders all of the facilities repayable on demand at the option of the lender.

The directors of Maltby Capital Limited ('Maltby Capital', a parent undertaking of the Company and of Maltby Investments) (the 'Maltby directors') have prepared base case trading and cash flow forecasts for a period in excess of one year from the date of approval of these statements which project that the total amount of the facilities is not exceeded. However, the current general economic climate has impacted the Group and the Group is susceptible to the inherent risks that exist in the music market of market growth or decline varying from the rates expected. Amongst other factors, the nature of the Group's business is such that there can be considerable unpredictable variation in the timing of earnings and cash inflows if there is a change in the forecast release date for key projects.

The current forecasts for the Group indicate that, absent any equity cure, it is likely there will be a significant shortfall when the financial covenants under its banking facilities are tested as at 31 March 2010. The Maltby directors have been exploring various strategic options which may be available for the Group, but they consider that it is unlikely that the financial covenants tested as at 31 March 2010 will be met without further equity cure and accordingly are engaged, together with Maltby Investments, in discussions with the Group's shareholders for additional funding for this purpose.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Maltby Capital and Maltby Investments have received confirmation from the Group's shareholders that they intend to recommend to their investors that the investors should provide certain additional funds to be available for equity cure purposes for the covenant test periods as at 31 March 2010 through to the end of March 2011, subject to the following conditions: (i) the provision to and approval by the shareholders of a revised strategic business plan for certain sectors of the Group's business towards which such additional equity funding would be applied, which demonstrates (in the absolute discretion of the shareholders) that the additional investment is economically justifiable to their investors on the basis of the revised strategic business plan and (ii) no "Default" under the banking facilities. Maltby Capital and Maltby Investments have also received confirmation that discussions will be further progressed once the finalised revised strategic business plan is available.

Maltby Capital and Maltby Investments have been progressing the above revised business plan, and their directors are of the view that they will be able to formulate and deliver, in accordance with a schedule which they believe should allow sufficient time for its consideration, approval and the funding of additional equity within the period applicable under the facilities, a business plan based upon the conditions which they are currently discussing with the Group's shareholders and which they consider would present a reasonable economic case for the additional investment represented by such equity injections. However, no agreement has yet been reached with the Group's shareholders and there is no certainty that such an agreement will eventually be reached, or will be reached within the time available under the Group's banking facilities for additional equity to be injected.

In order to meet financial covenant tests in respect of periods ending 30 September 2008, 31 December 2008, 31 March 2009, 30 June 2009 and 30 September 2009, the Group applied funds originally provided by the Group's shareholders of £16 million, £12.75 million, £39.25 million, £37 million and £nil, respectively, under equity cure provisions within the banking facilities. Following the 30 September 2009 financial covenant test, £23.3 million of funds remained or could be made available for further cures up to 31 December 2009; of this amount, £9.5 million remains available for application after 31 December 2009. Preliminary results indicate that equity cure is not expected to be required in respect of the covenant test period to 31 December 2009. Any funds determined to be required for equity cure in relation to the test period to 31 December 2009 would need to be applied for this purpose by 12 March 2010.

The aggregate amount of equity cure required in relation to test periods ending between 31 December 2009 and 31 December 2010 may be significantly greater than the cumulative cures provided to date. Current forecasts indicate that the most substantial cure within this period is likely to be required in relation to the covenant test period ending on 31 March 2010, which would require the injection of equity cure monies by 14 June 2010.

Beyond the £9.5 million referred to above, any further equity cure or other injection of further funds would have to be made using additional funds provided by the shareholders. Notwithstanding the current discussions with shareholders described above, there is no certainty that any such funds will be available.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Consequently, should consent of the Group's shareholders to the provision of certain equity cure funding as currently under discussion not be forthcoming, or not be forthcoming within the applicable period, the outcome for the Group of a breach of financial covenants in respect of the test period to end March 2010 would be dependent upon discussions with the Group's lender. This would also be the case if any equity cure funding provided as a result of the current discussions noted above was insufficient to prevent breaches of financial covenants in relation to subsequent test periods, and consent of the Group's shareholders to any subsequent request for the provision of further equity cure funding was not forthcoming, or not forthcoming within the applicable period.

In these circumstances, the Maltby directors consider that it would be in the interests of the Group's lender to maintain the Group's business as a going concern and to minimise any disruption to its ongoing operations.

The Maltby directors also recognise that existing forecasts indicate a significant shortfall in respect of the covenant test period to end March 2011 and that, notwithstanding the provision (if agreed) of equity cure funding as currently under discussion with the Group's shareholders, if this position remains unchanged over the next twelve months, the Maltby directors would be facing the same issues as are described above in respect of the financial covenants to be tested as at that time.

The Maltby directors are aware of the ongoing litigation in respect of certain matters relating to the acquisition of a parent undertaking of the Company, EMI Group Limited (formerly EMI Group plc) between, amongst others, shareholders of the Group and the Group's lender. Neither the Company, Maltby Capital, Maltby Investments nor any other member of the Group is a party to these proceedings.

The Group is currently engaged with the Trustee of the EMI Group Pension Fund regarding the cash contributions under the scheme funding regime. To date, the Trustee and the Group have not been able to reach agreement regarding a long-term funding and investment policy for the Fund. As a result, the Pensions Regulator has become involved in the process. The final outcome of this process is unknown at this stage. Absent agreement between the Group and the Trustee, this process is not likely to be resolved until March 2010 at the earliest. Proposals put forward by the Group, on which agreement was not reached, targeted a deficit in the order of £10 million to £200 million based on a valuation at 31 March 2008. Should contributions to remove any deficit in the Fund be required prior to the expiry of the Group's existing banking facilities, the Maltby directors consider that, absent agreement from the lender, funding for these contributions, which would be likely to be spread over a number of years, will need to be met by additional funds from the shareholders. There is no certainty that such funds will be available.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

The directors have concluded that the combination of these circumstances represents a material uncertainty that may cast significant doubt upon the ability of the Company to continue as a going concern. The Company may therefore be unable to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern due to a withdrawal of the Group's banking facilities by the Group's lender.

Nevertheless, after making enquiries and considering the uncertainty described above, the directors have concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Cash Flow Statement

The Company has taken advantage of the exemption in FRS 1 (revised) not to prepare a cash flow statement as a parent undertaking prepares a consolidated cash flow statement, which includes the Company, in accordance with FRS 1 (revised).

Related Parties

As the Company is a wholly owned subsidiary of Maltby Capital Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of Maltby Capital Limited, within which this Company is included, can be obtained from the address given in note 6.

Taxation

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. TAX

Tax on profit/(loss) on ordinary activities	2009 £000	2008 £000
UK corporation tax		
Payments in respect of group relief - Current year	-	-
Payments in respect of group relief - Prior year	-	-
	-	-
Foreign tax		
Current year	-	-
Adjustments in respect of previous year	-	-
	-	-
Total current tax charge	-	-
Deferred tax		
Originating and reversal of timing differences	-	-
Changes in recoverable amounts of deferred tax assets	-	-
	-	-
Tax on profit on ordinary activities	-	-

Factors affecting current tax charge

Profit on ordinary activities before tax	392	392
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008– 30%)	110	118
Effect of:		
Group relief received for nil payment – Current year	(110)	(118)
Adjustments in respect of previous year	-	-
Total current tax charge	-	-

Factors affecting future tax charge

As part of the Group, the Company may receive or surrender losses by way of group relief. This receipt or surrender may be made with or without charge.

Deferred tax

At the balance sheet date the Company had unused tax losses of £nil (2008: £nil) available for offset against future profits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SHARE CAPITAL

	2009	2008
	£	£
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

4. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share Capital	Profit & Loss Account	Total
	£000	£000	£000
At 1 April 2008	-	392	392
Profit for the year	-	392	392
At 31 March 2009	-	784	784

5. DIRECTOR'S EMOLUMENTS AND STAFF COSTS

The director received no remuneration during the year in respect of his services to the Company (2008: £nil). The Company had no employees during either the current or prior year.

6. PARENT UNDERTAKING

The immediate parent of the Company is EMI Group Limited. The ultimate parent undertaking and controlling party is TFCP Holdings Limited, a company registered in Guernsey.

The parent undertaking of the largest group to consolidate these financial statements is Maltby Capital Limited and the parent undertaking of the smallest group to consolidate these financial statements is Maltby Investments Limited. Copies of the consolidated financial statements of both Maltby Capital Limited and Maltby Investments Limited for the year ended 31 March 2009 can be obtained from the Company's registered address, 27 Wrights Lane, London W8 5SW.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. AUDITORS' REMUNERATION

The auditors' remuneration is borne by the immediate parent undertaking EMI Group Ltd and is as follows:

	2009	2008
	£	£
Audit of these financial statements	5,000	5,000

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required, instead, to be disclosed on a consolidated basis in the consolidated financial statements of Maltby Capital Limited, the Company's parent.

8. TERMS OF INTERCOMPANY BALANCES

Amount to and from fellow Group undertakings and parent undertakings are interest free and repayable after more than one year.

9. CONTINGENT LIABILITIES

EMI (IP) Limited acceded, on 28 January 2008 to a debenture dated 30 August 2007 (as amended, supplemented, novated, extended, restated or varied from time to time) and made between, amongst others, Maltby Acquisitions Limited (formerly known as Maltby Limited) and Citibank, N.A., London Branch as Security Agent, pursuant to which the Company charged, by way of mortgage or fixed charge or assign by way of security (as appropriate) all of their right, title and interest in certain assets, charge all or substantially all of their present and future assets and undertaking by way of first floating charge in favour of the Security Agent to secure the repayment of the Secured Liabilities (as defined therein) and covenant that they will, on demand, pay and discharge the Secured Liabilities.