EMI Music Publishing Finance (UK) Limited

Directors' report and financial statements

Registered number 6405600

for the year ended 31 March 2011

DIRECTORS' REPORT

The directors present their Directors' Report and financial statements for the year ended 31 March 2011

Principal Activities and Review of the Business

EMI Music Publishing Finance (UK) Limited (the "Company") was incorporated on 22 October 2007. At the beginning of the year the Company was a wholly owned subsidiary of Maltby Capital Limited and TFCP Holdings Limited was the ultimate parent undertaking.

On 1 February 2011, Citibank N A acquired all the ordinary and preference capital of EMI Group Worldwide Holdings Limited (formerly Maltby Acquisitions Limited) from Maltby Investments Limited, a subsidiary of Maltby Capital Limited and now owns the EMI group of companies

The Company is now a wholly owned subsidiary of EMI Group Worldwide Holdings Limited (the "Group") and Citigroup Inc ('Citigroup') is the ultimate parent undertaking.

The principal activity of the Company is that of a finance company There has not been any change to the principal activity of the Company during the year ended 31 March 2011 or subsequently The directors do not anticipate any change to the principal activity of the Company during the next year.

The Company operates as part of the EMI Group Worldwide Holdings Limited 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

Principal Risks and Uncertainties

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

The risks and uncertainties facing the Company are linked to those of the Group A detailed discussion of the Group risks and uncertainties is contained in EMI Group Worldwide Holdings Limited's (formerly Maltby Capital's) annual report

Going concern

As set out in more detail in note 1 the Directors have assessed the current and expected future funding position of the Company After appropriate consideration they have concluded that they have a reasonable expectation that the Company has adequate resources to continue as a going concern for the foreseeable future For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Dividends

The directors do not recommend payment of a dividend (2010: £nil)

DIRECTORS' REPORT (continued)

Directors' Qualifying Third Party Indemnity Provisions

An intermediate parent undertaking, EMI Group Limited, has maintained insurance to cover the Directors' and Officers' liability as permitted by Section 233 of the Companies Act 2006.

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 (2010 £nil). There were no political contributions made during the year (2010 £nil)

Directors

The directors throughout the year and subsequently were as follows

L J Corbett
R C Faxon
K L A Mullins (Appointed 28 January 2011)

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information 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 any relevant audit information and to establish that the auditors are aware of that information

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

By order of the board

Roger Faxon
Director
07 November 2011

Registered Office
27 Wrights Lane
London
W8 5SW

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

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

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

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 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 directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EMI MUSIC PUBLISHING FINANCE (UK) LIMITED

We have audited the financial statements of EMI Music Publishing Finance (UK) Limited for the year ended 31 March 2011 set out on pages 6 to 17 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc org uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements
- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EMI MUSIC PUBLISHING FINANCE (UK) LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

H Green (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London E14 5GL
United Kingdom

7 November 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £000	2010 £000
Administration expenses		(9)	(9)
Amounts written off intercompany receivables	7	(15,294)	-
Other operating expenses	2	(4,915)	(8,313)
OPERATING LOSS		(20,218)	(8,322)
Interest receivable	3	39,036	27,194
Interest payable	4	(167,246)	(70,653)
NET INTEREST PAYABLE		(128,210)	(43,459)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(148,428)	(51,781)
Taxation	5	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(148,428)	(51,781)

All activities are continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2011

There are no recognised gains or losses attributable to the shareholders of the Company other than the loss of £148,428,000 (2010: £51,781,000).

The notes on pages 8 to 17 form an integral part of these financial statements

BALANCE SHEET - 31 MARCH 2011

	Notes	2011 £000	2010 £000
FIXED ASSETS			
Investments	6	239,650	219,650
DEBTORS			
Amounts falling due within one year	7	832,824	120,417
Amounts falling due after more than one year	7	150,263	1,107,565
Cash at bank and in hand		61,468	4,654
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors and accruals	8	(1,593,373)	(942,485)
Bank Loans	9	-	(763,668)
NET CURRENT LIABILITES		(548,818)	(473,517)
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Creditors and accruals	8	(93,127)	-
NET LIABILITIES		(402,295)	(253,867)
CAPITAL AND RESERVES			
Called up share capital	10	-	-
Share premium account	11	753	753
Profit and loss account	11	(403,048)	(254,620)
SHAREHOLDER'S DEFICIT	11	(402,295)	(253,867)

These financial statements were approved for issue by the Board of Directors on
and were signed on its behalf by.

R C Faxon
Director

The notes on pages 8 to17 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared under the historical cost convention

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

The Company is exempt by virtue of s 400 of the Companies Act 2006 from the requirement to prepare Group financial statements These financial statements present information about the Company as an individual undertaking and not about its Group

Going Concern

EMI Music Publishing Finance (UK) has made a loss for the year of £148.4 million (2010 £51 8 million) and has net current liabilities of £548 8 million (2010 £473.5 million) at the reporting date The Company operates as part of the EMI Group Worldwide Holdings Limited group ("the Group") and has provided a guarantee to the Group's lender; as such the Company is affected by the terms of the Group's banking facilities The continued availability of existing bank facilities requires the Group to comply with the covenants set out in those bank facilities

On 1 February 2011, the Group was acquired by Citibank and the Group's debt was significantly reduced This has resulted in the Group's lender and its sole shareholder both being part of the US finance institution Citigroup Immediately following the acquisition, Citigroup completed a recapitalisation of the EMI Group Worldwide Holdings Limited, resulting in the significant reduction of debt from £3.2 billion of bank debt and £1 7 billion of inter-company debt, to £1 2 billion of total debt for the Group The strengthened balance sheet combined with continued strong operating performance means that the Group is able to meet its ongoing working capital needs and its current debt service obligations under the finance facility agreements to which the Company and a number of its subsidiaries are party to

The Company is dependent for its working capital on funds provided to it by EMI Group Worldwide Holdings Limited ("EMI") EMI has indicated that for the foreseeable future it intends to provide financial and other support to the Company, if need be The directors consider that this should be enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Cash Flow Statement

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

Related Parties

As the Company is a wholly owned subsidiary of EMI Group Worldwide Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of EMI Group Worldwide Holdings Limited, within which this Company is included, can be obtained from the address given in note 13.

Investments

Investments in subsidiary and associated undertakings are stated at cost less provision to reflect any impairment

Impairment of fixed assets

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable If any such indication exists, the asset's recoverable amount is estimated.

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

Calculation of recoverable amount

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

Impairment of fixed assets (continued)

Reversals of impairment

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

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

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

2. OTHER OPERATING EXPENSES

	2011	2010
	£000	£000
Exchange loss on foreign currency balances	4,915	8,313

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. INTEREST RECEIVABLE

	2011 £000	2010 £000
Interest receivable on:		
Exchange gain on foreign currency borrowings	18,317	24,875
Loans to fellow Group undertakings	20,719	2,319
	39,036	27,194

4. INTEREST PAYABLE

	2011 £000	2010 £000
Interest payable on:		
Loss on novation of interest rate swaps	102,691	-
Bank loans	21,616	25,850
Loans from fellow Group undertakings	18,516	9,825
Financial derivatives	24,423	34,978
	167,246	70,653

Interest rate swaps

As at 31 March 2010 the notional principal amounts of the outstanding interest rate swap was £877 4 million The fixed interest rates varied from 4.53% to 5.49% and the main floating rates were 3 month USD LIBOR and 3 month EURIBOR. The fair values of the interest rate swaps as at 31 March 2010 were £106 2m and were off balance sheet

On 1 February 2011 the interest rate swaps were novated to EMI Group Worldwide Holdings Limited (formerly Maltby Acquisitions Limited) in consideration for an intercompany loan equal to the fair value of the interest rate swaps at the date of novation. Resulting from the recognition of an intercompany loan, an exceptional finance charge of £102.7m was recorded

As at 31 March 2011 there were no interest rate swaps outstanding.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAX

Tax on loss on ordinary activities	2011 £000	2010 £000
Current tax charge	-	-
Deferred tax charge	-	-
Tax on loss on ordinary activities	-	-

Factors affecting current tax charge

The current tax charge for the year is higher (2010 higher) than the standard rate of corporations tax in the UK The differences are explained below

	2011	2010
Loss on ordinary activities before tax	(148,428)	(51,781)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 28%)	(41,560)	(14,499)
Effect of		
Group relief surrendered for nil payment - Current year	37,278	14,499
Permanent difference	4,282	-
Total current tax charge	-	-

Factors affecting future tax charge

On 5 July 2011, legislation to further reduce the main rate of corporation tax from 26 per cent to 25 per cent from 1 April 2012 was substantially enacted, which has not been reflected in the above calculation

Further reductions to the main rate are proposed to reduce the rate by 1 per cent per annum to 23 per cent by 1 April 2014 None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

Deferred tax

At the balance sheet date the Company had no unused tax losses (2010 £nil) available for offset against future profits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS

a) SHARES IN GROUP UNDERTAKINGS

	Cost £000	Provisions £000	Net book value £000
As at the start of the period	219,650	-	219,650
Additions	20,000	-	20,000
As at 31 March 2011	239,650	-	239,650

On 19 October 2010, Music Publishing Limited issued 20,000,000 shares for £1 each to EMI Music Publishing Finance (UK)

In accordance with FRS 11 'Impairment of Fixed Assets and Goodwill' the carrying values of the assets have been compared to their recoverable amounts, represented by their value in use to the Group The value in use has been derived from discounted cash flow projections using a nominal discount rate between 9 4% and 10.1% for the recorded music segment on a post-tax basis For the Company's investments in the music publishing segment nominal discount rates between 9.3% and 9 8% were used on a post-tax basis For the recorded music segment an annual growth rate of 0% has been assumed over five years plus a terminal value to determine the net present value of the cash flows into perpetuity at the end of the five year period based on a growth rate of 0%, reflecting the Company's view of the outlook for the business For the music publishing segment annual growth rates between 2 5% and 3% have been assumed over a 5 year period, whilst a terminal growth rate of 2 8% was applied.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS (continued)

b) PRINCIPAL SUBSIDIARY UNDERTAKINGS

The following were the principal subsidiary undertakings of EMI Music Publishing Finance (UK) Limited at 31 March 2011

Subsidiary Undertaking	Country of Incorporation	Class of share held	% held	Nature of Business
EMI Music Publishing Limited	UK	Ordinary	100	Music Publishing
EMI Songs Limited	UK	Ordinary	100	Music Publishing
EMI Tunes Limited	UK	Ordinary	100	Music Publishing
EMI United Partnership Limited	UK	Ordinary	100	Music Publishing
EMI Virgin Music Limited	UK	Ordinary	100	Music Publishing
Circa Music	UK	Ordinary	100	Music Publishing
EMI Music Publishing Europe Limited	UK	Ordinary	100	Music Publishing

7. DEBTORS

	2011 £000	2010 £000
Amounts falling due within one year		
Amounts due from fellow Group undertakings	832,824	120,417
	832,824	120,417
Amounts falling due after more than one year:		
Amounts due from fellow Group undertakings	165,557	1,107,565
Provision against amounts due from fellow Group undertakings	(15,294)	-
	150,263	1,107,565

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. CREDITORS AND ACCRUALS

	2011 £000	2010 £000
Amounts falling due within one year		
Amounts due to fellow Group undertakings	1,593,373	938,871
Other creditors and accruals	-	3,614
	1,593,373	942,485
Amounts falling due after more than one year		
Amounts due to fellow Group undertakings	93,127	-
	93,127	-

9. BANK LOANS

	2011 £000	2010 £000
Securitisation Bridge Facility	-	(763,668)

On 1st April 2008 the Company (as transferee) entered into a deed of accession and novation between Maltby Acquisitions Limited (as Transferor) and Citibank in which the Company agrees to between an additional borrower and guarantor of a £1,175,000,000 Senior Facilities Agreement and £1,410,000,000 Securitisation Bridge Facilities Agreement. Under that deed of accession and novation £651,759,000 was novated from Maltby Acquisitions Limited to the Company.

At 31 March 2010 borrowings were classified as current because at that date the Group did not have an unconditional right to defer settlement of the liability for at least 12 months

On 1 February 2011 all outstanding amounts under these facilities were novated to EMI Group Worldwide Holdings Limited (formerly Maltby Acquisitions Limited) At the date of novation there was £766,366,000 outstanding under these facilities

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. SHARE CAPITAL

	2011 £	2010 £
Authorised		
100 ordinary shares of £1 each	100	100
Allocated, called up and fully paid		
2 ordinary shares of £1 each	2	2

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	Share capital £000	Share premium £000	Profit & Loss Account £000	Total £000
At the start of the year	-	753	(254,620)	(253,867)
Loss for the year	-	-	(148,428)	(148,428)
At 31 March 2011	-	753	(403,048)	(402,295)

12. DIRECTORS' EMOLUMENTS AND STAFF COSTS

No director received any remuneration during the year in respect of his or her services to the Company (2010 £nil) The company had no employees during the current year (2010: nil)

13. PARENT UNDERTAKING

The immediate parent of the Company is EMI Music Publishing Holdings (UK) Limited. The ultimate parent undertaking and controlling party is Citigroup Inc (formerly TFCP Holdings Limited), a company registered in Delaware, United States of America.

The parent undertaking of the largest and smallest Group to consolidate these financial statements is EMI Group Worldwide Holdings Limited Copies of the consolidated financial statements of EMI Group Worldwide Holdings Limited for the year ended 31 March 2011 can be obtained from the Company's registered address, 27 Wrights Lane, London W8 5SW.

Prior to the sale of the group to Citigroup Inc , the Company's previous ultimate parent undertaking and controlling party was TFCP Holdings Limited, a company registered in Guernsey.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. AUDITORS' REMUNERATION

The auditor's remuneration is borne by an intermediate parent undertaking EMI Group Ltd and is as follows

	2011	2010
	£	£
Audit of these financial statements	2,000	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 EMI Group Worldwide Holdings Limited, the Company's intermediate parent.

15. CONTINGENT LIABILITIES

EMI Music Publishing Finance (UK) Limited acceded, on 1 April 2008, to a debenture dated 30 August 2007 (as amended, supplemented, novated, extended, restated or varied from time to time) and made between, EMI Group Worldwide Holdings Limited (formerly known as Maltby Acquisitions Limited) and Citibank, N A., London Branch as Security Agent, pursuant to which the company charged, by way of mortgage or fixed charge or assign by way of security (as appropriate) all of their right, title and interest in certain assets, charge all or substantially all of their present and future assets and undertaking by way of first floating charge in favour of the Security Agent to secure the repayment of the Secured Liabilities (as defined therein) and covenant that they will, on demand, pay and discharge the Secured Liabilities

16. TERMS OF INTERCOMPANY BALANCES

Amounts to and from fellow Group undertakings and parent undertakings are repayable on demand Interest bearing loans attract interest at either a fixed rate ranging between 8 5% and 9% or at a floating rate

17. SUBSEQUENT EVENTS

In June 2011, the Board of Directors of EMI Group Global Limited ("EMIGGL") announced that they had initiated a process to explore and evaluate potential strategic alternatives, including a possible sale, recapitalisation or initial public offering of its wholly owned subsidiary, EMI Group Worldwide Holdings Ltd and its controlled entities ("EMIGWHL group") including the Company.

Other than as noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the Company in future financial years