

EMI Recorded Music Holdings (Italy) Limited

**Directors' report and financial
statements**

**Registered number 6420969
for the year ended 31 March 2013**

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DIRECTORS' REPORT

The Directors present the Directors' Report and financial statements for the year ended 31 March 2013

Principal Activities and Review of the Business

The principal activity of the Company during the year was that of an investment holding company. There has not been any change to the principal activity of the Company during the year ended 31 March 2013

On 11 November 2011, EMI Group Global Limited signed a definitive agreement to sell the EMI Recorded Music business (of which this entity forms a part) to Universal Music Group. The transactions were subject to certain closing conditions, including the approval by relevant regulatory authorities. Regulatory approvals were obtained with the requirement for certain divestments and the sale completed on 28 September 2012. The Company was not subject to these divestment requirements and continues to form a part of the Universal Music Group.

The Company operates as part of the Universal Music 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:

	2013 €m	2012 €m	Change %
Profit before tax	55,022	1,386	3869.9
Profit after tax	55,022	1,386	3869.9
Shareholders' funds	101,118	46,096	119.4

As stated in the profit and loss account on page 4 the Company made a profit before tax of €55,022,000 in the year to 31 March 2013 compared with the previous year's profit before tax of €1,386,000. This is mainly due to a significant profit on disposal in the year to 31 March 2013.

In the balance sheet shown on page 5, the net assets of the Company have increased mainly due to increased intercompany receivables as a result of lending the sale proceeds to another group company. Shareholders' funds have increased as a result of the retained profit.

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.

DIRECTORS' 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 the Vivendi SA annual report.

Dividends

The Directors do not recommend payment of a dividend (2012: €nil).

Directors' Qualifying Third Party Indemnity Provisions

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

Donations

Grants and charitable donations made during the year amounted to €nil (2012: €nil). There were no political contributions made during the year (2012: €nil).

Directors

The Directors and Company Secretary throughout the year and subsequently were as follows:

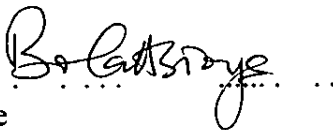
Directors

R M Constant (appointed 1 November 2012)
A Brown (appointed 28 September 2012)
B J Muir (appointed 28 September 2012)
S P Naughton (appointed 9 May 2012, resigned 28 September 2012)
R C Prior (appointed 9 May 2012, resigned 28 September 2012)
R C Faxon (resigned 28 September 2012)
L J Corbett (resigned 9 May 2012)

Company Secretary

A Abioye (appointed 26 November 2012)
TMF Corporate Administration Services Limited (resigned 26 November 2012)

By Order of the Board.



A Abioye
Company Secretary

15th November 2013

Registered Office
364-366 Kensington High Street
London
W14 8NS

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)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 €000	2012 €000
Profit on disposal of investment		49,864	-
Administration expenses		-	(23)
OPERATING PROFIT		49,864	(23)
Interest receivable	2	5,167	1,409
Bank charges		(9)	-
		5,158	1,409
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		55,022	1,386
Taxation	3	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		55,022	1,386

All operating profit is from continuing operations.

STATEMENT TOTAL OF RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2013

There are no recognised gains or losses attributable to the shareholders of the Company other than the profit of €55,022,000 (2012. €1,386,000)

The notes on pages 6 to 12 form an integral part of these financial statements

BALANCE SHEET AS AT 31 MARCH 2013

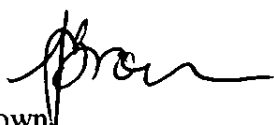
	Notes	2013 €000	2012 €000
FIXED ASSETS			
Investments	4	-	21,200
DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts due from fellow subsidiary undertakings		101,118	24,896
NET CURRENT ASSETS		101,118	24,896
TOTAL ASSETS LESS CURRENT LIABILITIES		101,118	46,096
NET ASSETS		101,118	46,096
CAPITAL AND RESERVES			
Called up share capital	5,6	-	-
Profit and loss reserve	6	101,118	46,096
SHAREHOLDERS' FUNDS		101,118	46,096

For the year ending 31 March 2013 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

Directors' responsibilities

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts

These financial statements were approved for issue by the Board of Directors on **15 NOV 2013**
and were signed on its behalf by



A Brown
Director

The notes on pages 6 to 12 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 and are stated in Euros being the primary currency on which the Company operates

The financial statements are prepared in accordance with applicable accounting standards

The Company is exempt by virtue of s400 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

The strong balance sheet of the Company has meant that the Company has been able to meet its ongoing working capital needs. They expect this position to continue and as a result have drawn up the financial statements on a going concern basis.

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. The functional and presentational currency of the company is Euro.

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

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.

Investments

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (continued) Impairment of fixed assets

The carrying amounts of the Company'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 asset 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. ACCOUNTING POLICIES (continued)

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. INTEREST RECEIVABLE

	2013 €000	2012 €000
Interest receivable from Group undertakings	4,622	1,438
Exchange gain/(loss) on foreign currency balances	545	(29)
	<u>5,167</u>	<u>1,409</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. TAX

Tax on profit on ordinary activities	2013	2012
	€000	€000
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

The current tax charge for the year is lower (2012: lower) than the standard rate of corporations tax in the UK. The differences are explained below

Profit on ordinary activities before tax	55,022	1,386
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012: 26%)	13,205	360
<i>Effect of</i>		
Group relief received for nil payment – current year	(1,238)	(360)
Permanent difference	(11,967)	-
Total current tax charge	-	-

Factors affecting future tax charge

As part of the Universal Music Group, the company may receive or surrender losses by way of group relief. Equivalent receipts or surrenders have been made in the past without charge

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantially enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% reduction, although this will further reduce the company's future current tax charge

Deferred tax

At the balance sheet date the Company had unused tax losses of €nil (2012: €nil) available for offset against future profits

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. INVESTMENTS

SHARES IN GROUP UNDERTAKINGS

	<u>Cost</u> €000	<u>Provisions</u> €000	<u>Net Book Value</u> €000
At 1 April 2012	21,200	-	21,200
Disposals	(21,200)	-	(21,200)
	<hr/>	<hr/>	<hr/>
At 31 March 2013	-	-	-
	<hr/>	<hr/>	<hr/>

On 29 June 2012, the Company was re-designated to be a part of the Recorded Music business. On the same day, the Company sold its investment in EMI Music Publishing Italia Srl as a part of the sale of the Music Publishing business to an investor group that comprised of Sony Corporation of America, the Estate of Michael Jackson, Mubadala Development Company PJSC, Jynwel Capital Limited, the Blackstone Group's GSO Capital Partners LP and David Geffen

5. SHARE CAPITAL

(i) Authorised

	2013 £	2012 £
100 ordinary shares of £1 each	100	100

(ii) Ordinary shares in issue

	Share capital Number	Share capital £	Share premium £
At the beginning of the year	1	1	-
At the end of the year	1	1	-

Share capital has been converted into Euros based on the historic rate on the date the shares were issued.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS AND MOVEMENTS IN RESERVES

	Share Capital €000	Profit and loss reserve €000	Total €000
At the beginning of the year	-	46,096	46,096
Profit for the year	-	55,022	55,022
At the end of the year	-	101,118	101,118

7. DIRECTORS' EMOLUMENTS AND STAFF COSTS

No Directors received any remuneration during the year in respect of their services to the Company (2012: nil) The Company had no employees during the period (2012: nil)

8. TERMS OF INTERCOMPANY BALANCES

Loans to and from fellow Group undertakings and the parent undertaking are classified as current as they are repayable on demand. Interest rates on intercompany loans have been agreed between parties on a loan by loan basis.

9. AUDITORS' REMUNERATION

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

	2013 €	2012 €
Audit of these financial statements	-	2,340

For the year ending 31 March 2013 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. Vivendi SA, the ultimate parent undertaking, has provided guarantees to the company in order to claim this exemption

10. SUBSEQUENT EVENTS

No subsequent events have been identified

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. PARENT UNDERTAKING

The immediate parent of the Company is Virgin Records Overseas Limited. The ultimate parent undertaking and controlling party is Vivendi SA, a company registered in Paris, France.

The parent undertaking of the largest and smallest group in which the Company's financial information has been consolidated as at 31 December 2012 was Vivendi SA. Copies of the consolidated financial statements of Vivendi SA can be obtained from the Company's registered address 42 Avenue de Friedland, Paris 75380.