

# **Loudclothing.com Limited**

## **Directors' Report and Financial Statements**

31 March 2012

Registered No 06854812

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COMPANIES HOUSE

**Directors**

A Brown (appointed 28 September 2012)  
R M Constant (appointed 28 September 2012)  
B J Muir (appointed 28 September 2012)  
D N Kassler (resigned 28 September 2012)  
S P Naughton (resigned 28 September 2012)  
R C Faxon (resigned 28 September 2012)  
R C Prior (resigned 28 September 2012)

**Secretaries**

A Abioye

**Auditors**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

**Registered Office**

27 Wrights Lane  
London  
W8 5SW

## Directors' Report

The directors present their report and financial statements for the period ended 31 March 2012

### Results and dividends

The company made a profit for the period of £80,395 (2011 – profit of £72,849)

The directors do not recommend the payment of a dividend (2011 - £nil)

### Principal activities and review of the business

The Company is engaged in the sale and distribution of artist merchandise. This activity is unlikely to change in the foreseeable future.

The Company was incorporated on 21 March 2009 and 100% of the shareholding was purchased by EMI Records Limited on 14 December 2009.

### Financial review

Turnover has decreased by £3,072,716 (32%) compared to the prior year, while the company has made an operating profit of £80,395 compared to an operating profit of £72,849 in the prior year, a movement of £7,546 (10%) and net liabilities have decreased by £80,395 (32%).

The financial statements are prepared on a going concern basis, which the Directors believe is appropriate as set out in note 1 to these financial statements.

On 11 November 2011 Citibank entered into a share purchase agreement with Universal Music Group in order to dispose of the Group's Recorded Music business of which the Company forms part. The Recorded Music business sale completed on 28 September 2012.

### Analysis of key performance indicators

The directors and management of the Company use a number of key performance indicators (KPIs) to assess the ongoing performance of the business. The principal profit KPI used by the directors is EBITDA, which is considered a proxy for cash flow. The directors define EBITDA as the profit from operations stated before depreciation, amortisation, exceptional items (including restructuring costs) and the share of associates' and joint ventures' results. EBITDA for the period ended 31 March 2012 was a profit of £80,395 (2011 profit of £75,832).

### Key risks and uncertainties

The Company's business faces a number of risks and uncertainties as is normal for a Company of its size and complexity. The directors consider that the principal risks faced by the business include:

- The current uncertainty in global economic conditions would adversely affect the prospects and results of the business, and
- The continuing exposure of music merchandise industry to illegal counterfeit products.

### Sale

The company forms part of the Recorded Music division of EMI.

On 11 November 2011, EMI Group Global Limited signed a definitive agreement to sell its Recorded Music division to Universal Music Group.

The transactions were subject to certain closing conditions, including the approval by relevant regulatory authorities and was conditional on Citigroup taking over the responsibility for EMI's UK defined benefit pension scheme.

Regulatory approvals have been obtained post year end with the requirement for certain divestments including EMI Records Limited, EMI Music International Services Limited, Chrysalis Records Limited. The Recorded Music business sale completed on 28 September 2012.

## Directors' Report

In accordance with the Recorded Music sale agreement, EMI Group Global Limited received a cash deposit of £912 million and €100 million from Universal Music Group on 3 September 2012. £88 million and €100 million were used to repay the external debt (apart from the Revolving Credit Facility). The balance of the sale proceeds (£100 million) were received by EMI Global Group Global Limited, and the Revolving Credit Facility repaid by the purchaser, on 28 September 2012.

As a consequence of the sale transaction, Universal Music Group repaid the outstanding debt from CitiGroup Inc for the business they bought. After the completion of the sale, Universal Music Group has financed, and will continue to finance, Recorded Music using its existing facilities.

The Recorded Music business was sold via the disposal of EMI Group Worldwide Holdings Limited.

## Directors and their interests

The directors who served during the year and to the date of this report are shown below.

A Brown (appointed 28 September 2012)  
R M Constant (appointed 28 September 2012)  
B J Muir (appointed 28 September 2012)  
D N Kassler (resigned 28 September 2012)  
S P Naughton (resigned 28 September 2012)  
R C Faxon (resigned 28 September 2012)  
R C Prior (resigned 28 September 2012)

None of the directors had any interests in the shares of the Company during the period.

## Political and charitable contributions

During the period, the Company made no political or charitable contributions (2011 £nil).

## 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 2012 the company had an average of 60 days' purchases outstanding in trade creditors (2011 – 60 days).

## Disclosure of Information to Auditors

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 the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Auditors

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.

  
A Brown  
Director

27 Wrights Lane  
London  
W8 5SW

7 December 2012

## **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 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,
- 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 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 auditor's report**

## **to the members Loudclothing com Limited**

We have audited the financial statements of Loudclothing com Limited for the period ended 31 March 2012 set out on pages 7-16. 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 auditors**

As explained more fully in the Statement of directors' responsibilities, 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 web-site at [www.frc.org.uk/apb/scope/private.cfm](http://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 2012 and of its profit for the period 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 matters prescribed by the Companies Act 2006**

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

### **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.

## **Independent auditors' report (continued)**

to the members Loudclothing.com Limited



**Hugh Green, Senior Statutory Auditor**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

*7 December 2012*

**Profit and loss account**

for the period ended 31 March 2012

	<i>Note</i>	<i>2012</i> £	<i>2011</i> £
<b>Turnover</b>	2	6,414,303	9,487,019
Cost of sales		(5,478,105)	(6,921,384)
<b>Gross profit</b>		<u>936,198</u>	<u>2,565,635</u>
Distribution costs		(453,284)	(1,264,856)
Administrative expenses		(402,519)	(1,227,930)
<b>Net operating profit</b>		<u>80,395</u>	<u>72,849</u>
		<u>80,395</u>	<u>72,849</u>
<b>Profit on ordinary activities before taxation</b>		<u>80,395</u>	<u>72,849</u>
Tax on loss on ordinary activities	5	–	–
<b>Profit on ordinary activities after taxation</b>	11	<u>80,395</u>	<u>72,849</u>

As stated in the Directors' report, the results above for the period ended 31 March 2012 are all derived from continuing activities

The notes on pages 10 to 16 form part of these financial statements

A note of historical cost profit and losses has not been prepared as part of the financial statements since the results disclosed in the profit and loss account are prepared on an unmodified historical cost basis



## **Statement of total recognised gains and losses**

**for the period ended 31 March 2012**

There are no recognised gains or losses other than the profit £80,395 (2011 – profit of £72,849) for the period ended 31 March 2012

**Balance sheet**

at 31 March 2012

	Note	2012 £	2011 £
<b>Fixed assets</b>			
Tangible assets	6	25,280	27,633
<b>Current assets</b>			
Stock	7	462,191	1,878,453
Debtors	8	569,504	1,943,768
Cash at bank and in hand		81,726	290,207
		<u>1,113,421</u>	<u>4,112,428</u>
<b>Creditors</b> amounts falling due within one year	9	(1,308,590)	(4,390,345)
<b>Net current liabilities</b>		<u>(195,169)</u>	<u>(277,917)</u>
<b>Total assets less current liabilities</b>		<u>(169,889)</u>	<u>(250,284)</u>
<b>Capital and reserves</b>			
Called up share capital	10,11	1	1
Profit and loss account	11	(169,890)	(250,285)
<b>Equity shareholders' deficit</b>	11	<u>(169,889)</u>	<u>(250,284)</u>

The notes on pages 10 to 16 form part of these financial statements

The financial statements have been approved by the Board of Directors on 7 December 2012 and were signed on its behalf by



**A Brown**  
Director

7 December 2012

## Notes to the financial statements

at 31 March 2012

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

#### *Going concern*

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £195,169, which the Directors believe to be appropriate for the following reasons

The Company is dependent for its working capital on funds provided to it by Société d'Investissements et de Gestion 104 S A S Société d'Investissements et de Gestion 104 S A S has indicated to the Company that for at least 12 months from the date of approval of these financial statements it will continue to make available such funds as are needed by the Company This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment

As stated previously, the sale of EMI's Recorded Music business by CitiGroup completed on 28 September 2012 via the disposal of EMI Group Worldwide Holdings Limited As a consequence of the sale transaction, Universal Music Group repaid the outstanding debt from CitiGroup Inc for Recorded Music After the completion of the sale, Universal Music Group has financed, and will continue to finance, Recorded Music using its existing facilities

#### *Statement of cash flows*

Under FRS 1 'Cash flow statements', the Company is exempt from the requirement to prepare a cash flow statement since it is a wholly owned subsidiary undertaking The consolidated financial statements of EMI Group Worldwide Holdings Limited include a consolidation cash flow statement dealing with the cash flows of the group

#### *Foreign currencies*

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of transaction 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 i.e. on despatch 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,
- Copyright, royalty, license and other income revenue is recognised based on the contractual arrangements entered into with third parties, which allow them to exploit the Group's intellectual property in return for a fee Where the Group is entitled to a fee which is not dependent upon future usage, revenue is recognised when the Group has fulfilled its contractual commitments

## Notes to the financial statements

at 31 March 2012

Where the fees due to the Group are dependent upon usage, revenue is recognised based upon that usage. Where no reliable basis is available for estimating such usage, revenue is recognised when reported to the Group by third parties.

### **Depreciation**

Depreciation of property, plant and equipment is calculated on cost or valuation at rates estimated to write off the relevant assets by equal annual amounts over their expected useful lives. Effect is given, where necessary, to commercial and technical obsolescence.

The annual rates used are:

Plant, machinery and furniture	10% - 33.33%
Computer hardware	25%

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### **Stocks and work in progress**

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.

### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## **2. Turnover**

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. It is attributable to one continuing activity wholly within the UK.

## Notes to the financial statements

at 31 March 2012

### 3. Notes to the profit and loss account

Net operating profit is stated after charging

	2012	2011
	£	£
Audit of these financial statements	6,291	12,210

Auditors' remuneration for the current year was paid for in full by EMI Records Limited

Subsequent to the acquisition by EMI Records Ltd, the Company incurred redundancy costs of £20,460 (2011 £22,564)

### 4. Directors remuneration and staff costs

	2012	2011
	£	£
Wages and salaries	300,330	380,760
Social security costs	29,497	59,504
Other pension costs	5,375	-
Employee costs relating to termination payments	-	-
	335,202	440,264

The average number of employees during the period ended 31 March 2012 was 27 (2011 29)

The directors are employed and remunerated as directors or executives of, or consultants to, other group undertakings

### 5. Tax

#### (a) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 26%. The differences are reconciled below

	2012	2011
	£	£
Profit on ordinary activities before tax	80,395	72,849
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 – 28%)	20,903	20,398
<i>Effect of</i>		
Group relief surrendered/(received) for payment at 26% (2011 – 28%)	(20,241)	(19,519)
Capital allowances in excess of depreciation	(662)	(879)
Total current tax charge	-	-

## Notes to the financial statements

at 31 March 2012

### (b) Factors affecting future tax charge

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

On 21 March 2012, a resolution was passed by Parliament to reduce the main UK corporate tax rate to 22 per cent by 1 April 2014. This is not reflected in the above calculation statements.

### (c) Deferred tax

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

## 6. Tangible fixed assets

	<i>Computer hardware</i>	<i>Equipment, plant and vehicles</i>	<i>Total</i>
	£	£	£
Cost			
At 31 March 2011	1,650	28,966	30,616
Additions	-	-	-
At 31 March 2012	1,650	28,966	30,616
Depreciation			
At 31 March 2011	234	2,749	2,983
Charged during the year	225	2,128	2,353
At 31 March 2012	459	4,877	5,336
Net book value			
At 31 March 2011	1,416	26,217	27,633
At 31 March 2012	1,191	24,089	25,280

## 7. Stock

	<i>2012</i>	<i>2011</i>
	£	£
Finished goods and good for resale	462,191	1,878,453
	462,191	1,878,453

## Notes to the financial statements

at 31 March 2012

### 8. Debtors (amounts falling due within one year)

	2012	2011
	£	£
Trade debtors	528,162	1,148,022
Other debtors and prepayments	41,342	510,746
Amounts owed by other group undertakings	-	285,000
	<u>569,504</u>	<u>1,943,768</u>
Trade debtors are collected via a fellow Group company, EMI Records Limited		

### 9. Creditors: amounts falling due within one year

	2012	2011
	£	£
Trade creditors	415,065	1,302,390
Interest-free loan from parent undertaking	893,525	2,695,131
Accruals and deferred income	-	128,824
Amounts owed to other group undertakings	-	264,000
	<u>1,308,590</u>	<u>4,390,345</u>
Trade creditors are paid via a fellow Group company, EMI Records Limited		

### 10. Share capital

	2012	2011
	£	£
<i>Authorised</i>		
100 ordinary shares at £1 each	100	100
	<u>100</u>	<u>100</u>
	2012	2011
	£	£
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

## Notes to the financial statements

at 31 March 2012

### 11. Reconciliation of shareholders' deficit and movement on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' deficit</i>
	£	£	£
At 31 March 2011	1	(250,285)	(250,284)
Profit for the period	-	80,395	80,395
At 31 March 2012	1	(169,890)	(169,889)

### 12. Financial commitments

There are no commitments to be disclosed as at period ended 31 March 2012

### 13. 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

### 14. Post balance sheet events

The company forms part of the Recorded Music division of EMI

On 11 November 2011, EMI Group Global Limited signed a definitive agreement to sell its Recorded Music division to Universal Music Group

The transactions were subject to certain closing conditions, including the approval by relevant regulatory authorities and was conditional on Citigroup taking over the responsibility for EMI's UK defined benefits pension scheme

Regulatory approvals have been obtained post year end with the requirement for certain divestments including EMI Records Limited, EMI Music International Services Limited, Chrysalis Records Limited. The Recorded Music business sale completed on 28 September 2012

In accordance with the Recorded Music sale agreement, EMI Group Global Limited received a cash deposit of £912 million and €100 million from Universal Music Group on 3 September 2012. £88 million and €100 million were used to repay the external debt (apart from the Revolving Credit Facility). The balance of the sale proceeds (£100 million) were received by the EMI Group Global Limited, and the Revolving Credit Facility repaid by the purchaser, on 28 September 2012.

As a consequence of the sale transaction, Universal Music Group repaid the outstanding debt from Citigroup Inc for the business they bought. After the completion of the sale, Universal Music Group has financed, and will continue to finance, Recorded Music using its existing facilities.

The Recorded Music business was sold via the disposal of EMI Group Worldwide Holdings Limited



## **Notes to the financial statements**

**at 31 March 2012**

### **15. Ultimate parent undertaking**

The ultimate parent undertaking and controlling party at 31 March 2012 is Citigroup Inc , a company registered in Delaware, United States The immediate parent company is EMI Records Limited The parent undertaking of the largest and smallest group in which they are consolidated is EMI Group Worldwide Holdings Limited Copies of the consolidated financial statements of EMI Group Worldwide Holdings Limited can be obtained from the Company's registered address, 27 Wrights Lane, London, W8 5SW

Subsequent to the year end and the sale of the Recorded Music business the ultimate parent undertaking and controlling party is Vivendi SA For further detail refer to note 14