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EMI GROUP HOLDINGS B.V.

Annual Report for the Year ended 31 March 2004



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## **COMPOSITION OF THE SUPERVISORY BOARD AND THE BOARD OF DIRECTORS**

### **The board of directors**

A. Brouwer (resigned 30 September 2004)

J.F.N. van Luit (resigned 17 June 2004)

A.J. Witte (resigned 30 September 2004)

S.M. Cottis (appointed 30 September 2004)

### **The supervisory board**

D.J.T. Bratchell

## **STATEMENT OF THE SUPERVISORY BOARD**

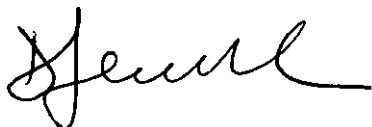
### **To the general shareholder meeting of EMI Group Holdings B.V.**

In accordance with Dutch legislation the annual accounts for the book year ended 31 March 2004 are hereby presented to you.

We recommend that you adopt these annual accounts and the proposed appropriation of the result for the year as mentioned in the other information.

### **The supervisory board**

D.J.T. Bratchell



London, 25 April 2005

## **BOARD OF DIRECTORS' REPORT**

We are pleased to present our report for EMI Group Holdings B.V. (hereinafter referred to as the 'Company') covering the financial year 2003/2004, together with the audited annual accounts for the year ended 31 March 2004.

### **Principal activities**

The Company operates as a finance and intermediate holding company. The ultimate parent company is EMI Group plc.

### **Result for the year ended 31 March 2004**

The profit before taxation for the financial year 2003/2004 amounts to EUR 23.2 million (2002/2003: EUR 3.1 million profit).

### **Future outlook**

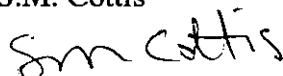
The Company is dependent on the results of its subsidiaries with respect to the result for the financial year 2004/2005.

### **Subsequent events**

The offices of the Dutch branch of EMI Group International Holdings Ltd. at Rivierstaete Amsteldijk 166 Amsterdam were closed on 30 September 2004. With effect from 1 October 2004, EMI Group Holdings B.V. and EMI Group International B.V. have become UK tax resident, have traded as English branches at Wrights Lane, London W8 5SW, and are registered as branches with the Registrar of Companies for England and Wales.

### **The board of directors**

S.M. Cottis



London, 25 April 2005

**BALANCE SHEET****31 March 2004**

(After proposed appropriation of the result)

|  | <b>2004</b>      | <b>2003</b>      |
|--|------------------|------------------|
|  | <u>EUR'000</u>   | <u>EUR'000</u>   |
| <b>Financial fixed assets</b>                |                  |                  |
| Investments                                  | 1,483,411        | 1,443,647        |
| Total financial fixed assets                 | <u>1,483,411</u> | <u>1,443,647</u> |
| <b>Current assets</b>                        |                  |                  |
| Receivables                                  | 36,502           | 50,442           |
| Taxation receivable                          | 17,384           | (340)            |
| Total current assets                         | <u>53,886</u>    | <u>50,102</u>    |
| <b>Current liabilities</b>                   |                  |                  |
| Bank overdraft                               | 4,262            | 10,865           |
| Amounts due to group companies               | 10,255           | 923              |
| Total current liabilities                    | <u>14,517</u>    | <u>11,788</u>    |
| <b>Net current assets</b>                    | <u>39,369</u>    | <u>38,314</u>    |
| <b>Total assets less current liabilities</b> | <u>1,522,780</u> | <u>1,481,961</u> |
| <br><b>Shareholder's equity</b>              |                  |                  |
| Share capital                                | 183,978          | 183,978          |
| Share premium                                | 1,194,252        | 1,154,487        |
| Retained earnings                            | 144,550          | 143,496          |
| <b>Total shareholder's equity</b>            | <u>1,522,780</u> | <u>1,481,961</u> |

*See accompanying notes.*

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 2004**

|   | <u>2004</u>   | <u>2003</u>  |
|---|---------------|--------------|
|   | EUR '000      | EUR '000     |
| <b>Financial income and expenditure</b>     |               |              |
| Interest income group companies             | 810           | 1,298        |
| Dividend income                             | 22,281        | 1,175        |
| Net interest income/(expense) third parties | 79            | (295)        |
|   | <u>23,170</u> | <u>2,178</u> |
| Net financial income and expenditure        |               |              |
| General and administrative expenses         | (8)           | (6)          |
| Proceeds from liquidation of investment     | —             | 954          |
|   | <u>23,162</u> | <u>3,126</u> |
| <b>Profit before taxation</b>               |               |              |
| <b>Taxation</b>                             |               |              |
| Current taxation charge                     | (757)         | (111)        |
| Prior year taxation credit                  | 930           | —            |
|   | <u>173</u>    | <u>(111)</u> |
| <b>Net profit</b>                           | <u>23,335</u> | <u>3,015</u> |

*See accompanying notes.*

**NOTES TO ANNUAL ACCOUNTS**  
**31 March 2004**

**General**

EMI Group Holdings B.V., Amsterdam, (the 'Company') operates as a finance and intermediate holding company and is a wholly owned subsidiary of EMI Group International Holdings Limited, England. The Company's address is at 27, Wrights Lane, Kensington, London W8 5SW, United Kingdom.

The ultimate parent company is EMI Group Plc, whose registered office is at the Company's address as well.

**Summary of significant accounting policies**

**Basis of presentation**

The accounts have been drawn up in accordance with the provisions of Part 9, Book 2 of the Netherlands Civil Code.

The Company has made use of the exemption option as laid down in Article 408. Under this option a company may attach or separately file the annual report of its ultimate parent company, which includes the accounts of the company and its group companies on a consolidated basis. Consequently, the 31 March 2004 annual accounts of EMI Group Plc are separately filed at the Chamber of Commerce in Amsterdam.

Net result and shareholder's equity are determined by reference to historical cost. Income and expenses are allocated to the reporting year to which they relate. Unless stated otherwise, assets and liabilities are included at face value.

**Translation of foreign currencies**

Transactions arising in foreign currencies are translated into Euros at the exchange rate prevailing at the transaction date. At the balance sheet date, assets and liabilities denominated in foreign currencies are translated into Euros at the balance sheet date rates of exchange. Resulting gains or losses are recognised in the profit and loss account.

## Financial fixed assets

Investments in subsidiary companies are stated at cost or their assigned value at the date of acquisition. Provision against the carrying value of an investment is made only when management believes that there is a permanent diminution in value.

## Taxation

The Company is head of a fiscal unity including certain of its wholly owned Dutch subsidiaries. The Company's policy is to account for taxes arising in respect of the fiscal unity and to charge or credit the companies within the fiscal unity for current taxation on fiscal income or losses arising in the companies. Provisions in respect of deferred taxation are accounted for in the individual companies concerned.

The taxation expense is determined by taking into account the application of the Dutch participation exemption rules which means that certain income is considered non-taxable and certain expenses non-deductible.

## Dividend income

Dividends are recognised as income on an accrual basis.

## Investments

The movement in investments is as follows:

|   | 2004      | 2003      |
|---|-----------|-----------|
|   | EUR'000   | EUR'000   |
| Opening balance                               | 1,443,647 | 1,445,007 |
| Capital increase EMI Group International B.V. | 39,764    | –         |
| Capital repayment                             | –         | (1,360)   |
| Closing balance                               | 1,483,411 | 1,443,647 |

During the year the Company increased its investment in EMI Group International B.V. to fund that company's recapitalization of EMI Group Sweden Holdings A.B. and EMI Music Spain S.A.

The capital repayment in 2003 arose from the liquidation of EMI Group International (1989) B.V., resulting in a profit of EUR 954.



At 31 March 2004 the Company's directly held investments comprise:

| Name                                 | Registered office          | % owned |
|--------------------------------------|----------------------------|---------|
| <b>Subsidiaries</b>                  |                            |         |
| EMI Group Netherlands B.V.           | Amsterdam, The Netherlands | 100     |
| EMI Group International B.V.         | Amsterdam, The Netherlands | 100     |
| EMI Group International Finance B.V. | Amsterdam, The Netherlands | 100     |
| Trident B.V.                         | Amsterdam, The Netherlands | 100     |

## Receivables

These comprise:

|   | 2004          | 2003          |
|---|---------------|---------------|
|   | EUR'000       | EUR'000       |
| Short term loans due from group companies | 36,502        | 37,257        |
| Other amounts due from group companies    | –             | 13,185        |
|   | <u>36,502</u> | <u>50,442</u> |

Other amounts due from group companies represent receivables in respect of fiscal unity tax accounting.

## Bank overdraft

Under group facility arrangements the Company, together with its Dutch subsidiaries, has compensating balance facilities with a bank of EUR 11.3 million. The Company follows the practice of charging or crediting its subsidiaries participating in this facility for interest attributable to them. All Dutch EMI Group companies included in this facility arrangement can be held liable for each group company's bank debt.

At 31 March 2004 the Dutch EMI Group was in a positive cash balance position.

## Amounts due to group companies

The balance relates to interest free current account balances and payables in respect of fiscal unity tax accounting.

## Shareholder's equity

The Company has an authorised share capital of 986,990 common shares and 10 B-shares, each with a nominal value of EUR 453.78. A total of 405,435 common shares have been issued.

During the year the Company issued one share for EUR 28.8 million. Furthermore the shareholder made an additional informal share premium contribution of EUR 11.0 million.

The movements in share capital and share premium are as follows:

|                                  | Share<br>capital | Share<br>premium |
|----------------------------------|------------------|------------------|
|                                  | EUR'000          | EUR'000          |
| Opening balance                  | 183,978          | 1,154,487        |
| Share capital increase (1 share) | —                | —                |
| Additional capital contribution  | —                | 39,765           |
| Closing balance                  | <u>183,978</u>   | <u>1,194,252</u> |

During the financial year 2003/2004 and 2002/2003 there were no movements in authorised capital.

The movements in retained earnings are as follows:

|                 | 2004           | 2003           |
|-----------------|----------------|----------------|
|                 | EUR'000        | EUR'000        |
| Opening balance | 143,496        | 141,656        |
| Net profit      | 23,335         | 3,015          |
| Dividends paid  | (22,281)       | (1,175)        |
| Closing balance | <u>144,550</u> | <u>143,496</u> |

## **Remuneration of the supervisory board and board of directors**

The Supervisory Director and the Company's Directors received no remuneration for the financial years 2003/2004 and 2002/2003. The Company employs no other personnel.

## **Commitments and contingent liabilities**

For corporate income tax purposes, the Company and certain of its Dutch subsidiaries form a fiscal unity of which the Company is the head and as a consequence the Company can be held jointly and severally liable for the obligations of the fiscal unity in respect of corporate income tax assessments payable.

The Company has received preliminary assessments totalling EUR 7.7 million from the tax authorities in respect of a disputed matter concerning dividend withholding tax covering the period September 1988 to January 1992. The appeal against the assessments was taken to court that ruled in favour of the Company. Following a High Court appeal the court ruled in favour of the tax authorities. Again the Company appealed to a higher court (Supreme Court) of which the outcome is pending. There is uncertainty concerning the eventual outcome of the appeal. No provision has been made since it is not expected that the final outcome will materially affect the Company's overall financial position as shown in these accounts.

## **Subsequent events**

With effect from 1 October 2004, the Company and EMI Group International B.V. have become UK tax resident, have traded as English branches at Wrights Lane, London W8 5SW, and are registered as branches with the Registrar of Companies for England and Wales.

\* \* \* \* \*

### **The board of directors**

S.M. Cottis



### **Supervisory board**

D.J.T. Bratchell



### **Statutory arrangements in respect of appropriation of the result for the year**

In accordance with Article 17 of the Company's Articles of Association, the result for the year ended 31 March 2004 as shown in the profit and loss account is at the disposal of the shareholder in general meeting.

### **Proposed appropriation of the result for the year**

The Board of Directors proposes that the dividends of EUR 22,281,000 paid out of the profit for the year ended 31 March 2004 be declared final and the remaining balance carried forward as retained earnings.

### **Subsequent events**

With effect from 1 October 2004, the Company and EMI Group International B.V. have become UK tax resident, have traded as English branches at Wrights Lane, London W8 5SW, and are registered as branches with the Registrar of Companies for England and Wales.

## AUDITORS' REPORT

### *Introduction*

We have audited the annual accounts of EMI Group Holdings B.V., Amsterdam, for the year ended 31 March 2004. These annual accounts are the responsibility of the Company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

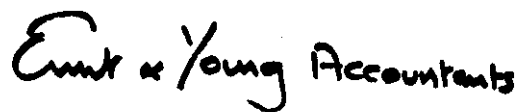
### *Scope*

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual accounts. We believe that our audit provides a reasonable basis for our opinion.

### *Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of the Company as at 31 March 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

Amsterdam, 25 April 2005



Ernst & Young Accountants