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EMI GROUP INTERNATIONAL B.V

Annual Report for the Year ended 31 March 2007

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COMPOSITION OF THE BOARD OF DIRECTORS

The board of directors

D J.T. Bratchell

S. M Cottis

STATEMENT OF THE BOARD OF DIRECTORS

To the general shareholder meeting of EMI Group International B.V.

In accordance with Dutch legislation the accounts for the year ended 31 March 2007 are hereby presented to you

We recommend that you adopt these annual accounts.

The Board of Directors

London, 14 March 2008

BOARD OF DIRECTORS' REPORT

We are pleased to present our report for EMI Group International B.V (hereinafter referred to as the 'Company') covering the financial year 2006/2007, together with the audited annual accounts for the year ended 31 March 2007.

Principal activities

The Company was incorporated on 8 February 1996 to act as an intermediate holding company for certain companies forming part of the EMI Group. The ultimate parent company is EMI Group Plc

Investments

There were no major movements in investments during the year.

Result for the year ended 31 March 2007

The profit before taxation for the financial year 2006/2007 amounts to GBP 17.9 million (2005/2006 GBP 6.3 million profit).

Future outlook

The Company is dependent on the results of its subsidiaries with respect to the result for the year 2007/2008

The Board of Directors

D J T Bratchell



S M. Cottis



London, 14 March 2008

BALANCE SHEET

31 March 2007

(After proposed appropriation of result)

	2007	2006
	GBP'000	GBP'000
Financial fixed assets		
Investments	1,084,652	1,080,420
Loans to group companies	26,171	12,323
Total financial fixed assets	1,110,823	1,092,743
Current assets		
Amounts due from affiliated companies	68	27
Other receivables	8	9
Cash at bank	-	10
Total current assets	76	46
Current liabilities		
Amount due to group company	2,127	423
Taxation	1,379	1,379
Other current liabilities	18	18
Total current liabilities	3,524	1,820
Net current liabilities	(3,448)	(1,774)
Total assets less current liabilities	1,107,375	1,090,969
Shareholder's equity		
Share capital	40	41
Translation reserve	10	9
Share premium	1,044,662	1,044,662
Retained earnings	62,663	46,257
Total shareholder's equity	1,107,375	1,090,969

See accompanying notes

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2007

	<u>2007</u>	<u>2006</u>
	GBP'000	GBP'000
Financial income and expenditure		
Dividend income	17,031	6,021
Interest income from subsidiary and affiliated companies	880	323
Other interest income/(expense)	-	(2)
	<u>17,911</u>	<u>6,342</u>
Net financial income/(loss) and expenditure		
General and administrative expenses	(2)	-
Profit/(loss) before taxation	<u>17,909</u>	<u>6,342</u>
Taxation (charge)/credit	<u>(1,503)</u>	<u>-</u>
Net profit/(loss)	<u><u>16,406</u></u>	<u><u>6,342</u></u>

See accompanying notes

NOTES TO ANNUAL ACCOUNTS

Year ended 31 March 2007

General

EMI Group International B.V , Amsterdam, (the 'Company') acts as an intermediate holding company and is a wholly owned subsidiary of EMI Group Holdings B V., Amsterdam. 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

With effect from 1 October 2004, the Company and EMI Group Holdings 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

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 file separately the annual report of its ultimate parent company, which includes the accounts of the company and its group companies on a consolidated basis In addition, the company may carry its investments at cost Consequently, the 31 March 2007 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.

The functional currency of the Company is the Pound Sterling.

Translation of foreign currencies

Transactions denominated in currencies other than the functional currency are translated to Pounds Sterling at the effective rate of exchange at the date of transaction Assets and liabilities denominated in other currencies, with the exception of the investments, which are at the historical rates of exchange, are translated to Pounds Sterling at the rate of exchange prevailing at the balance sheet date Resulting exchange differences are recognised in the statement of income, except for the exchange difference on share capital which is included in a separate, non-distributable, component of shareholder's equity

Dividend income

Dividends are recognised as income on an accrual basis

Financial fixed assets

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

Participating interests are defined as companies in which the Company has an equity interest of 20% to 50%. Other investments comprise equity interests of less than 20%.

Investments

The movements in investments are as follows

	Total 2007	Total 2006
	GBP'000	GBP'000
Opening balance	1,080,420	1,080,232
Additions	4,232	188
Closing balance	<u>1,084,652</u>	<u>1,080,420</u>

The addition during the year relates to the recapitalisation of EMI-Kent Elektronik

The addition during the prior year relates to the recapitalisation of EMI Odeon S A I C.

Provisions for permanent diminution in value were unchanged following an evaluation by Management of the carrying value of the Company's investments.

The reconciliation from carrying value to book value as at 31 March 2007 is as follows

	Subsidiaries	Participating interests and other investments	Total 2007	Total 2006
	GBP'000	GBP'000	GBP'000	GBP'000
Cost	1,132,464	—	1,132,464	1,128,232
Accumulated provisions	(47,812)	—	(47,812)	(47,812)
Closing balance	<u>1,084,652</u>	<u>—</u>	<u>1,084,652</u>	<u>1,080,420</u>

Investments (continued)

At 31 March 2007, the Company's (in)directly held investments comprise

Name	Registered office	% owned
Subsidiaries		
EMI Group North America Holdings Inc.	Delaware, United States	100
EMI Music Uruguay S A.	Montevideo, Uruguay	100
EMI Music Mexico S A de C V.	Mexico City, Mexico	100
EMI Recorded Music S A de C V	Mexico City, Mexico	100
EMI Austria GesmbH	Vienna, Austria	100
EMI Music Publishing Hungary KFT	Budapest, Hungary	51
EMI Czech Republic S r o.	Prague, Czech Republic	100
EMI Music Publishing Ceska Republika A S.	Prague, Czech Republic	51
EMI Music Poland S p z.o.o	Warsaw, Poland	100
EMI Music Publishing Polska S p. z o o.	Warsaw, Poland	51
EMI Group Portugal-SGPS, Limitada	Lisbon, Portugal	100
EMI Group Denmark A/S	Copenhagen, Denmark	100
EMI Music Spain S A	Madrid, Spain	100
EMI Group Germany GmbH	Cologne, Germany	100
EMI Group Norway A/S	Oslo, Norway	100
EMI Group Sweden Holdings A B	Solna, Sweden	100
OY EMI Group Finland A.B	Helsinki, Finland	100
EMI Music Belgium B.V	Brussels, Belgium	100
EMI Group Ireland Ltd	Dublin, Ireland	100
EMI-Kent Elektronik A/S	Istanbul, Turkey	100
EMI Music New Zealand Limited	Manukau City, New Zealand	100
EMI Group (Australia) Holdings Pty Limited	Cremore, Australia	100
EMI Group Holdings Singapore Pte. Ltd	Singapore, Singapore	100
EMI Group Hong Kong Ltd.	Wan Chai, Hong Kong	100
PT EMI Indonesia P M.A.	Jakarta, Indonesia	98
EMI Music Publishing Korea Ltd.	Seoul, South Korea	100
EMI Music Korea Ltd.	Seoul, South Korea	100
EMI (Taiwan) Ltd	Taipei, Taiwan	100
Virgin Music Japan Ltd	Tokyo, Japan	100
Virgin Records (India) Pvt. Ltd	Mumbai, India	100
Minos EMI S A.	Athens, Greece	90
Odeon Music S A	Guayaquil, Ecuador	100
EMI Music Publishing Romania SRL	Bucharest, Romania	70
EMI Group Switzerland AG	Geneva, Switzerland	100
EMI Zenei KFT	Budapest, Hungary	100
Typhoon I/O Music Co Ltd	Seoul, Korea	100

Investments (continued)

EMI Group France S A S	Paris, France	100
EMI Group Holdings Lebanon SAL	Beirut, Lebanon	100
EMI Philippines Inc	Manila, Philippines	100
EMI Music Arabia FZE	Dubai, U A E	100
EMI Industries (Pty) Ltd.	Johannesburg, South Africa	100
Delta Holdings B.V.	Amsterdam, The Netherlands	100
B V Schaltone	Amsterdam, The Netherlands	100
EMI Music Egypt Ltd.	Cairo, Egypt	100
EMI Music (Peru) SA	Bogota, Colombia	100
Insight Music Ltd	London, United Kingdom	60
Gold Label Management Limited	Hong Kong, China	100

Other investments

EMI-Virgin Music Publishing	Athens, Greece	5
EMI Music Publishing Chile S A	Santiago, Chile	10

For the company marked with an asterisk the beneficial ownership has not been acquired Other investments are all subsidiaries of EMI Group Plc

Shareholder's equity

The authorised share capital at 31 March 2007 comprises 500 shares with a nominal value of EUR 454 each, of which 129 shares have been issued and fully paid.

The Pound Sterling rate used at 31 March 2007 was 1 47

The movements in the share capital, translation reserve and share premium are as follows

	Share capital	Translation reserve	Share premium
	GBP'000	GBP'000	GBP'000
Opening balance	41	9	1,044,662
Translation adjustment	(1)	1	–
Closing balance	40	10	1,044,662

Shareholder's equity (continued)

The movements in retained earnings are as follows:

	<u>2007</u>	<u>2006</u>
	GBP'000	GBP'000
Opening balance	46,257	39,915
Net profit/(loss)	16,406	6,342
Closing balance	<u>62,663</u>	<u>46,257</u>

Taxation**Tax on profit/(loss) on ordinary activities**

2007	2007
GBP'000	GBP'000

UK corporation tax

Payments in respect of group relief - Current year
 Payments in respect of group relief - Prior year

877	
<u>626</u>	
	1,503

Foreign tax

Current year
 Adjustments in respect of previous periods

-	
<u>-</u>	
	1,503

Total current tax charge

Deferred tax

Originating and reversal of timing differences
 Effect of changes in tax rate on opening liability
 Changes in recoverable amounts of deferred tax assets

-	
-	
<u>-</u>	
	1,503

Tax on profit/loss on ordinary activities

Factors affecting current tax charge

2007
GBP'000

Profit/(loss) on ordinary activities before tax

17,909

Profit/(loss) on ordinary activities multiplied by standard rate of
 corporation tax in the UK of 30.0% (2006 – 30.0%)

5,373

Effect of

Group relief surrendered/(received) for payment of greater than 30%
 - Current year

(4,496)

Group relief surrendered/(received) for payment of greater than 30%
 - Prior year

626

Total current tax charge

1,503

Taxation (continued)

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, although group policy is currently to charge £1 for every £1 of group relief received.

Deferred tax

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

Prior year taxation

The company is primarily liable for UK corporation tax on its profits. However, no provision has been made in prior years for either current or deferred taxation as an undertaking had been received from its ultimate parent undertaking, EMI Group plc, that the latter entity assumed all liability for any taxation for accounting periods ending up to 31 March 2006 so long as the company remained a subsidiary. This undertaking was withdrawn in respect of periods beginning on or after 1 April 2006 although it remains effective for previous periods. Consequently current and deferred taxation have been provided in the Company for year to 31 March 2007.

Remuneration of the board of directors

The Company's directors received no remuneration during the financial year 2006/2007 (2005/2006 GBP nil).

The Company has no employees (2005/06 nil).

* * * * *

The Board of Directors

D J T Bratchell



S. M Cottis



London 14 March 2008

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

In accordance with Article 14 of the Company's Articles of Association, the result for the year ended 31 March 2007 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 do not propose a dividend for the year ended 31 March 2007

To: The Board of Directors of EMI Group International B.V., Amsterdam

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements for the fiscal year ending March 31, 2007 of EMI Group International B.V., Amsterdam, which comprise the balance sheet as at March 31, 2007, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the board of directors' report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of EMI Group International B.V. as at March 31, 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Eindhoven, March 14, 2008

for Ernst & Young Accountants



W.J. Spijker