Parlophone Records Limited (formerly EMI Records Limited)

Directors' Report and Financial Statements

31 March 2013

Registered No 68172

Registered No 68172

Directors

R M Constant (appointed 9 November 2012, resigned 1 July 2013)
J H Morris (appointed 28 September 2012, resigned 1 July 2013, re-appointed 3 September 2013)
D N Kassler (resigned 1 July 2013)
R C Faxon (resigned 28 September 2012)
R C Prior (resigned 28 September 2012)
S P Naughton (resigned 28 September 2012)
R D Booker (appointed 1 July 2013)
C J Ancliff (appointed 1 July 2013)
S V Bergen (appointed 1 July 2013)
J P Cross (Appointed 15 August 2013)

Secretaries

TMF Corporate Administration Services Limited (resigned 1 July 2013)
Olswang Cosec Limited (appointed 1 July 2013)

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Registered Office

90 High Holborn
London
WC1V 6XX

Directors' report

The directors submit their report and financial statements for the year ended 31 March 2013

Results and dividends

The loss for the year, after taxation, was £22,413,000(2012 – profit of £54,167,000)

The directors do not recommend payment of a dividend for the year (2012 – £nil)

Principal activities and review of business development

The Company continues to be engaged in the sale and distribution of all forms of recorded music and merchandise These activities are unlikely to change in the foreseeable future

Financial review

Turnover has decreased by £50,582,000 (36%) compared to the prior year Operating profit has decreased by £102,518,000 after charging exceptional items relating to reorganisation of £2,219,000 (2012 £8,592,000), pension contributions of £311,871,000 (2012 nil), offset by a gain on disposal of assets of £199,186,000 (2012 nil) Net assets have increased by £177,587,000 (81%)

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 year ended 31 March 2013 was a profit of £61,629,000 (2012 £56,439,000)

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 market for recorded music product has been declining and may continue to decline,
- The current uncertainty in global economic conditions would adversely affect the prospects and results of the business,
- The downward pressure on the pricing of music products leading to pressure on the margins,
- The dependence on identifying, signing and retaining artists with long-term potential, and the effect of results of successful artists,
- The continuing exposure of the music industry to illegal music downloads and file sharing

Sale

The company has previously formed 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 Regulatory approvals were obtained with the requirement for certain divestments and the Recorded Music business sale completed on 28 September 2012

As a condition of sale to Universal Music Group, the regulatory authorities required certain EMI Recorded Music businesses to be divested The Parlophone Label Group, which the Company forms part of, was created for this divestment On 6 February 2013 it was announced that a definitive agreement had been entered into to sell the Parlophone Label Group to Warner Music Group and this transaction completed on 1 July 2013 As of that date the Company became an indirect subsidiary of Warner Music Group Inc, which is itself a subsidiary of Access Industries Inc

Directors' report

Directors and their interests

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

R M Constant (appointed 09 November 2012, resigned 1 July 2013)
J H Morris (appointed 28 September 2012, resigned 1 July 2013, re-appointed 27 August 2013)
D N Kassler (appointed 28 September 2012, resigned 1 July 2013)
R C Faxon (resigned 28 September 2012)
R C Prior (resigned 28 September 2012)
S P Naughton (resigned 28 September 2012)
R Booker (Appointed 1 July 2013)
C Ancliff (Appointed 1 July 2013)
S Bergen (Appointed 1 July 2013)
J P Cross (Appointed 15 January 2013)

None of the directors had any interests in the shares of the Company during the year

All directors benefited from qualifying third party indemnity provisions in place during the financial period and at the date of this report

Political and charitable contributions

During the year, the Company made various charitable contributions totalling £35,000 (2012 – £12,000)

Employment of disabled persons

It is Company practice to encourage, wherever practicable, the employment of disabled persons and to provide appropriate opportunities for their training, career development and promotion When employees become disabled while in the service of the Company, every effort is made to rehabilitate them into their former jobs or some other suitable alternative

Employee involvement

The Company has continued to further its employee involvement policies These include the provision of information to employees and consultation with their representatives on matters affecting them, as well as the regular communication of financial information and details of the Company s performance

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 2013 the Company had an average of 40 days' purchases outstanding in trade creditors (2012 60)

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

Directors' report

Auditor

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

J. H. MORRIS.

Director

90 High Holborn
London
WC1V 6XX

6 September 2013

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

Independent Auditor's Report to the members of Parlophone Records Limited (formerly EMI Records Limited)

We have audited the financial statements of Parlophone Records Limited (formerly EMI Records Limited) for the year ended 31 March 2013 set out on pages 8 - 22 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 5, 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 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 Financial Reporting Council's website at www frc org uk/auditscopeukprivate

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 2013 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 Auditor's Report to the members of Parlophone Records Limited (formerly EMI Records Limited)

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

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

6 September 2013

Profit and loss account

for the year ended 31 March 2013

	Note	2013 £000	Restated 2012 £000
Turnover	2	89,490	140,072
Cost of sales		(28,781)	(45,415)
Gross profit		60,709	94,657
Distribution costs		(935)	(2,470)
Administrative expenses			
Before exceptional items		(34,445)	(59,180)
Pension	7	(311,871)	-
Reorganisation costs	7	(2,219)	(8,592)
		(348,535)	(67,772)
Other operating income			
Before exceptional items		30,362	18,890
Gain on disposal of assets	7	199,186	-
		229,548	18,890
Operating costs		(119,922)	(65,101)
Net operating (loss)/profit	3	(59,213)	43,305
Interest receivable	8	12,085	21,076
Interest payable and similar charges	9	(3,424)	(10,214)
(Loss)/profit on ordinary activities before taxation		(50,552)	54,167
Tax on profit on ordinary activities	10	28,139	-
(Loss)/profit on ordinary activities after taxation	20	(22,413)	54,167

As stated in the Director's report, the results above for the year ended 31 March 2013 and 31 March 2012 are all derived from continuing activities

The notes on pages 11 to 22 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 year ended 31 March 2013

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £22,413,000in the year ended 31 March 2013 (2012 – profit of £54,167,000)

Balance sheet
at 31 March 2013

	Note	*2013* *£000*	*2012* *£000*
Fixed assets			
Intangible assets	11	636	2,411
Tangible assets	12	424	12,528
Investments	13	49,213	49,213
		50,273	64,152
Current assets			
Debtors (including £28,139,000 (2012 £nil) due after 1 year)	14,18	819,168	1,497,059
Cash at bank and in hand		12,673	9,086
		831,841	1,506,145
Creditors: amounts falling due within one year	15	(482,828)	(1,141,377)
Net current assets		349,013	364,768
Total assets less current liabilities		399,286	428,920
Creditors amounts falling due after more than one year	16	-	(201,577)
Provisions for liabilities	17	(2,734)	(8,378)
Net assets		396,552	218,965
Capital and reserves			
Called up share capital	19,20	312,605	112,605
Profit and loss account	20	83,947	106,360
Equity shareholders' funds	20	396,552	218,965

The notes on pages 11 to 22 form part of these financial statements

The financial statements were approved by the Board of Directors on 6/9/ 2013 and were signed on its behalf by

J. H. MORRIS

Director

6 September 2013

Registered No 68172

Notes to the financial statements

at 31 March 2013

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

The classification of certain revenue and expense items has been revised during the year to better reflect their nature The presentation of the comparative figures has therefore been changed so that like for like figures are presented on an equivalent basis for both years There has been no impact on net profit or net assets included in the comparative figures compared to those previously presented

Going concern

The strong balance sheet of the Company combined with a strong operating performance 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

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

Investments

Investments in subsidiary and associated undertakings are stated at cost less, where relevant, a provision to reflect any permanent diminution in value

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction Monetary 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

Group financial statements

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group accounts as the company is included in the consolidated accounts of a larger group These financial statements present information about the company as an individual undertaking and not about its group

Notes to the financial statements (continued)

at 31 March 2013

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 invoiced value after making a 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 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
- Interest income is recognised when it has been earned and can be reliably measured

Other Income

Other income represents the Company's share of profits generated on music compilation albums, such as the NOW series, where a profit share agreement is in place with a third party record label

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses

Following initial recognition, intangible assets with finite lives are amortised on a straight line basis over their estimated useful lives These lives are estimated on an individual asset by asset basis, and are as follows

Music catalogues	Over the duration of the contract or up to 50 years
Goodwill	10 years

Intangible assets are tested for impairment at each balance sheet date if events or changes in circumstances indicate that the carrying value may not be recoverable Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis

Intangible assets created within the business that cannot be distinguished from the cost of developing the business as a whole are not capitalised Any relevant expenditure is charged against profit from operations in the period in which the expenditure is incurred

Depreciation

Depreciation of property, plant, equipment and vehicles 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

Freehold buildings	2%
Plant, machinery and furniture	10% - 33 33%
Computer software	33 33%
Computer hardware	25%
Motor vehicles	25%

Notes to the financial statements (continued)

at 31 March 2013

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

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

Advances

In the ordinary course of business the company pays advances and other expenses recoupable from future royalties to performing artists, songwriters, producers and third party repertoire owners The amounts paid are carried at cost less recoupment and less an allowance for any unrecoupable amounts The allowance is based on past revenue performance, current popularity and projected revenue Advances are recoupable during the business operating cycle All advances are therefore reported as current assets, including advances recoupable more than 12 months after the balance sheet date

Leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the period of the lease

Retirement benefits

Retirement benefits are accounted for under FRS 17 Retirement Benefits The Company operates both defined benefit and defined contribution schemes for its employees The Company is unable to identify its share of the underlying assets and liabilities of its defined benefit schemes and so, in accordance with FRS 17, the Company accounts for them as defined contribution schemes

Taxation

The charge for taxation is based on the profit 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

Provision for royalty audit claims

A provision is made for royalty audit claims when it is considered more likely than not that a successful claim will be made and the likely financial impact can be estimated with reasonable certainty

Classification of financial instruments issued by the Company

Under FRS 25 Financial Instruments Disclosure and Presentation, financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Notes to the financial statements (continued)
at 31 March 2013

2. Turnover

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

3. Notes to the profit and loss account

Net operating (loss)/profit is stated after charging/(crediting)

	2013	*2012*
	£000	*£000*
Depreciation	5,922	4,242
Exchange gain/(loss) on foreign currency balances	12,546	(11,630)
Leases	98	458
Exceptional item reorganisation costs	2,219	8,592
Exceptional item pension contribution	311,871	–
Exceptional item gain on disposal of assets	(199,186)	–

Details of the exceptional items are included in note 7

4. Auditors' remuneration

	2013	*2012*
	£000	*£000*
Audit of these financial statements	143	121

5. Directors' remuneration

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

6. Staff costs

	2013	*2012*
	£000	*£000*
Wages and salaries	31,251	33,286
Social security costs	3,241	3,463
Other pension costs	2,259	3,433
Employee costs relating to termination payments	–	862
	36,751	41,044

This includes remuneration paid to directors of the company of £nil (2012 – £nil)

	2013	*2012*
	No	*No*
The average monthly number of employees, including directors, was	432	427

Notes to the financial statements (continued)
at 31 March 2013

7 Exceptional items

Recognised in arriving at operating result through administrative expenses and other operating income

	2013	*2012*
	£000	*£000*
Administrative expenses		
Reorganisation costs	2,219	8,592
Pension contribution	311,871	–
Other operating income		
Gain on disposal of assets	(199,186)	–
	114,904	8,592

Reorganisation costs relate primarily to costs incurred in restructuring the business

The contribution to the pension scheme was as a result of the closure of the defined benefit scheme to future accrual in June 2012 At the end of August 2012, ownership of the UK defined benefit pension scheme was transferred out of the Group to Citigroup (the sale of the Recorded Music business is conditional on Citigroup taking over the responsibility for EMI's UK defined benefit pension scheme) As part of this transfer, EMI Records Limited made payments totalling £312m in relation to the UK pension fund including an amount of £162m paid to Citigroup

The gain on disposal results from the transfer of various assets including Abbey Road Studios and the Beatles Recording rights to other group companies

Tax impact on exceptional items is a credit of £27m

8. Interest receivable

	2013	*2012*
	£000	*£000*
Interest receivable from group undertakings	12,085	20,979
Other external interest	–	97
	12,085	21,076

9. Interest payable and similar charges

	2013	*2012*
	£000	*£000*
Interest payable to group undertakings	3,187	9,265
Other external interest	237	949
	3,424	10,214

Notes to the financial statements (continued)

at 31 March 2013

10. Tax

Analysis of charge in the period

	2013 £000	2012 £000
UK Corporation tax		
Current tax on income for the period	–	–
Adjustments in respect of prior periods	–	–
Total current tax	–	–
Deferred tax (see note 18)		
Origination/reversal of timing differences	343	–
Rate adjustment	1,223	–
Pension payment	(26,952)	–
Adjustments in respect of prior periods	(2,753)	–
Total deferred tax	(28,139)	–
Total on profit on ordinary activities	(28,139)	–

(a) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 24% (2012 – 26%) The differences are reconciled below

	2013 £000	2012 £000
(Loss)/profit on ordinary activities before tax	(50,552)	54,167
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 – 26%)	(12, 132)	14,083
Effect of		
Permanent difference	16,987	6,664
Disallowable/(allowable) expenditure	722	63
Timing differences	26,952	–
Capital allowances in excess of depreciation	(316)	(922)
Group relief received for no payment at 24% (2012 – 26%)	(32,213)	(19,888)
Total current tax charge	–	–

(b) Factors affecting future tax charge

The Company may receive or surrender losses by way of group relief This receipt or surrender has occurred in the past without any payment being made

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively 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

Notes to the financial statements (continued)

at 31 March 2013

respectively This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 31 March 2013 (which has been calculated based on the rate of 24% substantively enacted at the balance sheet date) by £ 1,173,000

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% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

11. Intangible fixed assets

	Catalogue costs	*Goodwill*	*Total*
	£000	*£000*	*£000*
Cost			
At 31 March 2012	5,159	3,201	8,360
Additions	652	–	652
Disposal	–	(3,201)	(3,201)
At 31 March 2013	5,811	–	5,811
Amortisation:			
At 31 March 2012	5,159	790	5,949
Charged during the year	16	–	16
Disposal	–	(790)	(790)
At 31 March 2013	5,175	–	5,175
Net book value·			
At 31 March 2013	636	–	636
At 31 March 2012	–	2,411	2,411

Key additions and disposals during the financial year relate to the purchase of recorded music assets of Richard Hawley and the Buzzcocks from Mute Records at market value (£652,000) as well as the transfer of Loudclothing com and Digital Stores Limited to Virgin Records at market value The additional catalogue costs will be amortised over 10 years, per accounting policy in note 1

All intangible asset additions and disposals were directly related to restructuring activities in conjunction with the sale as noted in the Directors' report

Notes to the financial statements (continued)

at 31 March 2013

12. Tangible fixed assets

	Freehold property £000	*Leasehold property £000*	*Equipment, plant and vehicles £000*	*Total £000*
Cost				
At 31 March 2012	3,042	1,082	88,934	93,058
Additions	–	–	12,888	12,888
Transfers/Reclassifications	(2,038)	–	2,230	192
Disposals	(1,004)	(1,082)	(77,459)	(79,545)
At 31 March 2013	–	–	26,593	26,593
Depreciation				
At 31 March 2012	1,844	550	78,136	80,530
Charged during the year	8	19	5,895	5,922
Transfers/Reclassifications	(1,460)	–	1,485	25
Disposals	(392)	(569)	(59,347)	(60,308)
At 31 March 2013	–	–	26,169	26,169
Net book value				
At 31 March 2013	–	–	424	424
At 31 March 2012	1,198	532	10,798	12,528

The key asset disposals relate to the sale of Abbey Road assets to Virgin Records and the transfer of central technology assets to a group company

After the Abbey Road asset transfer, the remaining value of freehold property was reclassified to equipment, plant and vehicles

13. Investments

	£000
Cost and net book value	
At 31 March 2013 and 31 March 2012	49,213

The company's principal subsidiary undertakings at 31 March 2013 were

Subsidiary undertakings	*Nature of business*	*Proportion of ordinary shares owned*
Parlophone Music International Services Limited (formerly EMI Music International Services Limited)	Service company	100%
Chrysalis Records International Limited	Dormant	100%
Food Limited	Dormant	100%
Erato Record Classics Limited (formerly Virgin Records Classics Limited)	Dormant	100%
Music for Pleasure Limited	Dormant	100%
Trooper Enterprises Limited	Record company	75%

Notes to the financial statements (continued)

at 31 March 2013

14. Debtors

	2013	2012
	£000	£000
Trade debtors	21,433	15,622
Amounts owed by fellow group undertakings		
Trade debtors collected on behalf of fellow subsidiary undertakings	15,878	8,625
Interest-free loans to subsidiary undertakings	794	524,444
Interest-free loans to parent undertaking	5,722	34,159
Interest-free loans and other amounts owed by group undertakings	69,793	555,302
Interest-bearing loans to group undertakings	583,519	256,029
Interest-bearing loan to parent undertaking	-	58,236
Interest-bearing loan to subsidiary undertakings	84,758	26,646
Other debtors and prepayments	5,698	15,020
Artist advances	3,434	2,976
Deferred tax asset (note 18)	28,139	-
	819,168	1,497,059

The interest-bearing loans bear interest at a UK prime rate All loans are repayable on demand

Loans to fellow subsidiary undertakings are not the subject of a loan note nor are they repayable under fixed terms Therefore, they may be recoverable after more than one year

The deferred tax asset is expected to be partially realized after more than 1 year

15. Creditors: amounts falling due within one year

	2013	2012
	£000	£000
Trade creditors	7,396	6,915
Amounts payable to fellow subsidiary undertakings		
Trade creditors paid on behalf of fellow subsidiary undertakings	15,746	5,651
Interest-free loan from parent undertaking	3,100	3,421
Interest-free loans and other amounts payable to fellow subsidiary undertakings	119,755	64,123
Interest-free loans from subsidiary undertakings	237,691	808,050
Interest-bearing loans from group undertakings	20,432	148,004
Interest-bearing loans from subsidiary undertaking	17,164	10,506
Royalties payable	39,459	65,762
Other taxes including VAT and social security costs	960	1,637
Accruals and deferred income	21,125	27,308
	482,828	1,141,377

The interest-bearing loans bear interest at a UK prime rate All loans are repayable on demand

Notes to the financial statements (continued)

at 31 March 2013

16. Creditors: amounts falling due after more than one year

	2013	*2012*
	£000	*£000*
Trade creditors	–	1,577
200,000,000 3 75% cumulative redeemable preference shares of £1 each	–	200,000
	–	201,577

The preference shares previously held by Parlophone Records Ltd (formerly EMI Records Ltd) were consolidated and converted into ordinary shares on 18 December 2012

17. Provisions for liabilities

	Reorganisation	*Audit claims*	*Other*	*Total*
	£000	*£000*	*£000*	*£000*
Provisions at 31 March 2012	3,136	691	4,551	8,378
Charged to profit and loss account	(60)	2,791	–	2,731
Released/(Utilised) during the year	(2,926)	(898)	(4)	(3,828)
Reclassified during the year	–	–	(4,547)	(4,547)
Provisions at 31 March 2013	150	2,584	–	2,734

The balance at 31 March 2013 includes provisions for future closure and reorganisation of operations of £150,000 (2012 – £3,136,000) and future audit claims of £2,584,000 (2012 – £691,000) The balance of £4,547,000 was transferred to Calderstone Productions Limited in relation to the sale of Beatles assets

The majority of the reorganisation and royalty audit claims provisions will be utilised in the short term

18. Deferred tax assets

	Property, plant and equipment £000	**Pension £000**	**Other £000**	**Total £000**
At 31 March 2012	–	–	–	–
(Charge)/Credit to profit and loss account for the year	(2 051)	(26,952)	(359)	(29,362)
(Charge)/Credit to equity	–	–	–	–
Rate Adjustment	85	1,123	15	1,223
At 31 March 2013	**(1,966)**	**(25,829)**	**(344)**	**(28,139)**

At the balance sheet date the company had a recognised deferred tax asset of £28,139,000 (2012 nil) in relation to capital allowances and pensions deductions available for offset against future profits

Notes to the financial statements (continued)

at 31 March 2013

19. Share capital

	2013 £000	2012 £000
Authorised		
Ordinary shares of £1 each	312,605	112,605
Allotted, called up and fully paid		
Ordinary shares of £1 each	312,605	112,605

As disclosed in note 16, £200 million of preference shares were converted to ordinary share capital on 18 December 2012

20. Reconciliation of shareholders' deficit and movement on reserves

	Share capital £000	Profit and loss account £000	Total shareholders' funds /deficit £000
At 31 March 2012	112,605	106,360	218,965
Additional shares issued	200,000	–	200,000
Loss for the year	–	(22,413)	(22,413)
At 31 March 2013	312,605	83,947	396,552

21 Obligations under leases and hire purchase contracts

At 31 March 2013, annual commitments under operating leases in respect of land and buildings were as follows

	2013 £000	2012 £000
Expiring in less than one year	–	416
Expiring in the second to fifth years inclusive	–	1,664
Expiring after the fifth year	–	1,248
	–	3,328

The building lease in the prior year was terminated in December 2012

At 31 March 2013, annual commitments under other operating leases were as follows

	2013 £000	2012 £000
Expiring in less than one year	17	42
Expiring in the second to fifth years inclusive	7	56

Notes to the financial statements (continued)

at 31 March 2013

24	98

22 Contingent liabilities

Withın the music ındustry a varıety of claıms arıse from tıme to tıme ın the normal course of busıness Some have lıttle or no foundatıon ın fact or law and others cannot be quantıfied Provısıons have been made ın the financıal statements for those claıms agaınst the company whıch the dırectors consıder are lıkely to result ın sıgnıficant lıabılıtıes

23. Financial commitments

The group has commıtments, whıch are largely performance related, to pay advances to artısts and repertoıre owners amountıng to approxımately £35,961,000 at 31 March 2013 (2012 – £33,098,000)

24. Related party transactions

The Company has taken advantage of the exemptıon under Fınancıal Reportıng Standard 8, ' Related Party Dısclosures" (FRS 8), not to dısclose related party transactıons between wholly owned group undertakıngs

25. Post balance sheet events

Sale

On 6 February 2013 ıt was announced that a definıtıve agreement had been entered ınto to sell the Parlophone Label Group to Warner Musıc Group As at 1 July 2013, the sale to Warner Musıc Group was completed

26. Ultımate parent undertaking

The ımmedıate parent company of the Company at 31 March 2013 was PLG Holdco Lımıted The ultımate parent undertakıng and controllıng party at 31 March 2013 was Vıvendı SA, a company regıstered ın Parıs, France The parent undertakıng of the largest and smallest group ın whıch the Company s financıal ınformatıon has been consolıdated as at 31 March 2013 was Vıvendı SA Copıes of the consolıdated financıal statements of Vıvendı SA can be obtaıned from the Company's regıstered address, 42 Avenue de Frıedland, Parıs 75380

Wıth effect from 1 July 2013 the Company's ultımate holdıng company became Access Industrıes Inc The company's ımmedıate parent company, PLG Holdco Lımıted, remaıned unchanged