

EMI GROUP LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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EMI GROUP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

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EMI GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

RM Constant
BJ Muir
SL Carmel
P Jassal

COMPANY SECRETARY

A Abioye

REGISTERED OFFICE

364-366 Kensington High Street
London
W14 8NS

AUDITOR

Ernst & Young LLP
Statutory Auditor
1 More London Place
London
SE1 2AF

EMI GROUP LIMITED
STRATEGIC REPORT
YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report for the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of a holding company for investments. This activity is unlikely to change in the foreseeable future.

The result and position of the company for the year ended 31 December 2016 are set out in the statement of comprehensive income, statement of financial position and statement of changes in equity on pages 7, 8 and 9 respectively. The result and position of the company were in line with directors' expectations.

RESULTS AND DIVIDENDS

The company's profit for the financial year was £211,023,000 (2015 - profit £37,590,000). The retained profit for the year has been transferred to reserves.

Dividends of £730,000,000 were declared and paid during the year ended 31 December 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

The company is faced with similar risks and uncertainties as other companies operating in the recorded music business, broadly:

- competition from alternative entertainment products;
- price pressure from the increased presence of supermarkets in the music market and their threat to survival of independent music retailers;
- the threat of a devalued product due to piracy and the illegal use of music;
- uncertainty as to whether the growth in the subscription services market can replace the decline in the physical and download market; and
- interest rate fluctuations.

All risks and uncertainties are regularly monitored by the Board of Directors of the company.

FUTURE DEVELOPMENTS

Notwithstanding the risks and uncertainties outlined above, the directors do not anticipate any significant change in the activities and results of the company in the foreseeable future.

By order of the board


P Jassal
Director

31 MAY 2017

EMI GROUP LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2016

The directors present their report, the strategic report and the financial statements of the company for the year ended 31 December 2016.

DIRECTORS

The directors who served the company during the year and subsequently were as follows:

RM Constant
A Brown
BJ Muir
SL Carmel
P Jassal

A Brown resigned as a director on 31 March 2017.

SL Carmel was appointed as a director on 31 March 2017.

P Jassal was appointed as a director on 18 May 2017.

DIRECTORS' QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

A qualifying third party indemnity provision remains in force as at the date of approving the directors' report, subject to the provisions of s236 CA 2006. Vivendi SA, the ultimate parent undertaking, maintains a Directors & Officers Liability Programme which indemnifies directors' personal liabilities resulting from alleged wrongful acts committed in the line of their employment.

POLICY ON THE PAYMENT OF CREDITORS

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

DONATIONS

The company made no charitable or political donations in either year.

EMI GROUP LIMITED

DIRECTORS' REPORT (continued)

YEAR ENDED 31 DECEMBER 2016

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report, the strategic report and 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Accounting Standards and applicable law). 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

In so far as each of the directors at the date of approving this report are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board



A Abioye

Company Secretary

Company Registration Number: 00229231

31 MAY 2017

EMI GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMI GROUP LIMITED

YEAR ENDED 31 DECEMBER 2016

We have audited the financial statements of EMI Group Limited for the year ended 31 December 2016, which comprise the statement of comprehensive income, the statement of financial position and statement of changes in equity and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102).

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 4, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102; 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

EMI GROUP LIMITED


INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMI GROUP LIMITED (continued)

YEAR ENDED 31 DECEMBER 2016

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.



Paul Gordon (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London


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Company Registration Number: 00229231

EMI GROUP LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Total 2016 £'000	Total 2015 £'000
TURNOVER	4	-	1,112
GROSS PROFIT		-	1,112
Administrative expenses		(8,298)	4,138
Other operating income	5	115	11,672
OPERATING (LOSS)/PROFIT	6	(8,183)	16,922
Impairment loss on investment in subsidiaries	9	-	(34,908)
LOSS ON ORDINARY ACTIVITIES BEFORE INVESTMENT INCOME, INTEREST AND TAXATION		(8,183)	(17,986)
Income from participating interests	10	201,706	35,418
Interest receivable and similar income	11	50,708	55,010
Interest payable and similar charges	12	(31,951)	(32,135)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		212,280	40,307
Tax on profit on ordinary activities	13	(1,257)	(2,717)
PROFIT FOR THE FINANCIAL YEAR		211,023	37,590
Other comprehensive income			
Unrealised gain on available for sale investments		27,087	14,407
Total other comprehensive gain		27,087	14,407
Tax on other comprehensive gain		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		238,110	51,997

All of the activities of the company are classed as continuing operations.

The notes on pages 10 to 26 form part of these financial statements

EMI GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £'000	2015 £'000
FIXED ASSETS			
Intangible assets	14	-	-
Property, plant & equipment (Tangible Assets)	15	1,971	2,019
Financial assets (Investments)	16	391,361	464,104
		<u>393,332</u>	<u>466,123</u>
CURRENT ASSETS			
Debtors: Amounts falling due within one year	17	1,252,476	2,633,618
Cash at bank		130	130
		<u>1,252,606</u>	<u>2,633,748</u>
CREDITORS: Amounts falling due within one year	18	(531,358)	(1,492,799)
NET CURRENT ASSETS		<u>721,248</u>	<u>1,140,949</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,114,580</u>	<u>1,607,072</u>
PROVISIONS FOR LIABILITIES			
Provisions for liabilities and charges	19	(398)	(1,000)
NET ASSETS		<u><u>1,114,182</u></u>	<u><u>1,606,072</u></u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	128,851	128,851
Share premium account	21	355,786	355,786
Capital Redemption reserves	21	495,856	495,856
Available for sale investment reserves	21	41,494	14,407
Other reserves	21	8,664	408,664
Profit and loss account	21	83,531	202,508
EQUITY SHAREHOLDERS' FUNDS		<u><u>1,114,182</u></u>	<u><u>1,606,072</u></u>

These accounts were approved by the board of directors and authorised for issue on
and are signed on their behalf by:

31 MAY 2017



P Jassal
Director

Company Registration Number: 00229231

The notes on pages 10 to 26 form part of these financial statements

EMI GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2016

	Share capital £'000	Share Premium £'000	Redemption Reserve £'000	Capital Investments Reserves £'000	Available For Sale Reserves £'000	Other Reserves £'000	Profit & Loss Account £'000	Total share- holders' funds £'000
Balance at 1 January 2015	128,851	355,786	495,856	-	408,664	164,918	1,554,075	
Total comprehensive income for the period								
Profit for the year	-	-	-	-	-	37,590	37,590	
Other comprehensive income result	-	-	-	14,407	-	-	14,407	
Balance brought forward at 1 January 2016	128,851	355,786	495,856	14,407	408,664	202,508	1,606,072	
Total comprehensive income for the period								
Profit for the year	-	-	-	-	-	211,023	211,023	
Other comprehensive income result	-	-	-	27,087	-	-	27,087	
Dividends paid	-	-	-	-	(400,000)	(330,000)	(730,000)	
Balance carried forward at 31 December 2016	128,851	355,786	495,856	41,494	8,664	83,531	1,114,182	

The notes on pages 10 to 26 form part of these financial statements

EMI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

1. STATUTORY INFORMATION

EMI Group Limited is a company limited by shares and incorporated and domiciled in the UK. The registered office is 364-366 Kensington High Street, London, W14 8NS.

2. STATEMENT OF COMPLIANCE

The company's financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. ACCOUNTING POLICIES

Basis of preparation of financial statements

These financial statements have been prepared on a going concern basis, under the historical cost convention, except that the following assets and liabilities are stated at their fair value; derivative financial instruments, financial instruments classified at fair value through the profit and loss, biological assets, investment property, tangible fixed assets and intangible assets measured in accordance with the revaluation model and investments in associates and joint ventures measured at fair value.

The financial statements are prepared in sterling, which is the functional currency of the company, and have been rounded to the nearest £000.

FRS 102 - Qualifying exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- from preparing a statement of cash flows and related notes;
- from preparing a reconciliation of the number of shares outstanding from the beginning to the end of the financial year;
- from disclosing related party disclosures;
- from disclosing key management personnel compensation;
- from certain financial instrument disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instruments*; and
- from certain share based payment disclosures required by FRS 102.26 *Share-based Payment*.

This information is included in the consolidated financial statements of the company's ultimate parent undertaking, Vivendi SA, copies of which can be obtained from 42 Avenue de Friedland, 75380 Paris, Cedex 08, France.

Other qualifying exemptions

As the ultimate parent undertaking prepares publicly available consolidated accounts and is incorporated within the European Union the company has taken advantage of the exemption under section 400 of the Companies Act 2006 from preparing consolidated accounts. As such, these financial statements give information about the company as an individual undertaking and not about its group.

EMI GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3. ACCOUNTING POLICIES (continued)

Going concern

The Company's business activities, together with the factors likely to affect future developments, its financial exposures and its risk exposures are described in the strategic report.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources available to it to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Revenue recognition

Turnover represents goods sold less returns, the invoiced value of services and royalty income, excluding VAT. Turnover is attributable to one activity; the marketing and distribution of recorded music.

Intangible assets

Intangible assets

Intangible assets relate to a licensing agreement, intangible assets are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets.

Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Licensing Agreement over the life of the agreement

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 of FRS102, Impairment of assets when there is an indication that an intangible asset may be impaired.

EMI GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Land & Buildings	25 years straight line
Software	5 years straight line

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

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing loans borrowings classified as basic financial instruments

All interest-bearing loans and borrowings are initially recognised at net proceeds. Interest bearing debt is increased by the finance cost in respect of the reporting period and reduced by any settlement made. Interest is charged and earned on a fixed element of the debt at an arm's length rate.

Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

EMI GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3. ACCOUNTING POLICIES (continued)

Available for sale investments

Available for sale investments are carried at fair value with changes recognised in other comprehensive income.

Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

EMI GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3. ACCOUNTING POLICIES (continued)

Employee benefits

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is possible that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on unwinding of the discount on provisions, and net foreign exchange losses that are recognised through profit or loss in the statement of comprehensive income.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue. Dividend income is recognised in the statement of comprehensive income on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

EMI GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

3. ACCOUNTING POLICIES (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised through profit or loss in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associated and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised through profit or loss in the statement of comprehensive income *except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income.*

EMI GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

4. TURNOVER

Turnover by activity is as follows:

	2016 £'000	2015 £'000
Sales of goods	-	1,112
	<u>-</u>	<u>1,112</u>
	<u>-</u>	<u>1,112</u>

Turnover by destination is as follows:

	2016 £'000	2015 £'000
Rest of World	-	1,112
	<u>-</u>	<u>1,112</u>
	<u>-</u>	<u>1,112</u>

5. OTHER OPERATING INCOME

	2016 £'000	2015 £'000
Release of unused provisions	115	3,286
Other	-	8,386
	<u>115</u>	<u>11,672</u>
	<u>115</u>	<u>11,672</u>

Other operating income of £8,044,126 relates to the repayment of capital by EMIG 6 Limited, a subsidiary which was fully impaired in previous years; with a further £341,253 relating to a foreign exchange adjustment for other entities struck off in the year.

EMI GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

6. OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2016 £'000	2015 £'000
Amortisation of intangible assets	-	1,112
Depreciation of owned fixed assets	48	48
Net gain on foreign currency translation	7,325	(6,623)
Other operating income (Note 5)	(115)	(11,672)
	<u> </u>	<u> </u>

The loss/(gain) from foreign exchange has been recorded in administrative expenses, the impact of this has led to positive administrative expenses in 2015.

7. AUDITORS' REMUNERATION

The auditors' remuneration for the year ended 31 December 2016 was £12,000 (2015 - £12,000) and was borne by another group company in both years.

8. PARTICULARS OF EMPLOYEES

The company had no employees during the year ended 31 December 2016 (2015 - no)

The emoluments of the directors of the company were borne by other group companies in both years.

EMI GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

9. IMPAIRMENT LOSS ON INVESTMENT IN SUBSIDIARIES

	2016 £'000	2015 £'000
Impairment loss on investment in subsidiaries	-	34,908
	<u>-</u>	<u>34,908</u>

10. INCOME FROM PARTICIPATING INTERESTS

	2016 £'000	2015 £'000
Income from participating interests	201,706	35,418
	<u>201,706</u>	<u>35,418</u>

11. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
Interest receivable from group undertakings	50,708	55,010
	<u>50,708</u>	<u>55,010</u>

12. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £'000	2015 £'000
Interest payable to group undertakings	31,951	32,135
	<u>31,951</u>	<u>32,135</u>

EMI GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

13. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of tax charge in the year

	2016 £'000	2015 £'000
Current tax:		
UK Taxation		
In respect of the year		
Group relief payable for losses claimed from other group undertakings	<u>1,257</u>	<u>2,717</u>
Tax on profit on ordinary activities	<u><u>1,257</u></u>	<u><u>2,717</u></u>

	2016 £'000	2016 £'000	2015 £'000	2015 £'000
	Current Tax	Total Tax	Current Tax	Total Tax
Recognised in Profit and loss	<u>1,257</u>	<u>1,257</u>	<u>2,717</u>	<u>2,717</u>
Total Tax	<u><u>1,257</u></u>	<u><u>1,257</u></u>	<u><u>2,717</u></u>	<u><u>2,717</u></u>

EMI GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016

13. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax charge

Under the Finance (No. 2) Act 2015, the main rate of corporation tax will be reduced from 20% to 19% effective from 1 April 2017. A further reduction to 17% from 1 April 2020 will apply by virtue of the Finance Act 2016 s46 which was enacted on 15 September 2016. Deferred tax assets and liabilities are measured at the rate expected to apply to the accounting period when the asset is realised or the liability is settled, based on the above rates.

	2016	2015
	£'000	£'000
Profit on ordinary activities before taxation	212,280	40,307
Profit on ordinary activities at the standard rate of UK Corporation tax of 20.00% (2015: 20.25%)	42,456	8,162
Expenses not deductible for tax purposes	(40,348)	(1,282)
Movement in timing differences (no deferred tax provided)	(851)	(4,163)
Current tax charge for the financial year	1,257	2,717

(c) Factors that may affect future tax charges

The company has a total unutilised tax losses carried forward estimated at £140,569,128 (2015 - £140,569,128), which may reduce future tax charges. No deferred tax asset has been recognised in respect of these losses due to uncertainty as to their future recoverability.

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YEAR ENDED 31 DECEMBER 2016

14. INTANGIBLE ASSETS

	Other Intangible £'000	Total £'000
COST		
At 1 January 2016	4,400	4,400
At 31 December 2016	<u>4,400</u>	<u>4,400</u>
AMORTISATION		
At 1 January 2016	4,400	4,400
At 31 December 2016	<u>4,400</u>	<u>4,400</u>
NET BOOK VALUE		
At 31 December 2016	-	-
At 31 December 2015	<u>-</u>	<u>-</u>

Intangible fixed assets relate to the assignment to EMI Group Limited of the Digital Distribution contract with Tencent Music Entertainment Group (previously known as China Music Corporation).

15. PROPERTY, PLANT & MACHINERY (TANGIBLE ASSETS)

	Land & Buildings £'000	Software £'000	Total £'000
COST			
At 1 January 2016	2,175	2,764	4,939
At 31 December 2016	<u>2,175</u>	<u>2,764</u>	<u>4,939</u>
DEPRECIATION			
At 1 January 2016	156	2,764	2,920
Charge for the year	48	-	48
At 31 December 2016	<u>204</u>	<u>2,764</u>	<u>2,968</u>
NET BOOK VALUE			
At 31 December 2016	<u>1,971</u>	<u>-</u>	<u>1,971</u>
At 31 December 2015	<u>2,019</u>	<u>-</u>	<u>2,019</u>

EMI GROUP LIMITED
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16. FINANCIAL ASSETS (INVESTMENTS)

	Shares In Subs/Grp £'000	Loans To Grp Companies £'000	Participating Interest £'000	Fixed Assets Available-for- sale £'000	Total £'000
COST/FAIR VALUE					
At 1 January 2016	2,904,366	849,181	613	19,805	3,773,965
Movement in the year	-	(99,830)	-	27,087	(72,743)
At 31 December 2016	2,904,366	749,351	613	46,892	3,701,222
PROVISION FOR IMPAIRMENT					
At 1 January 2016	2,820,333	488,915	613	-	3,309,861
At 31 December 2016	2,820,333	488,915	613	-	3,309,861
NET BOOK VALUE					
At 31 December 2016	84,033	260,436	-	46,892	391,361
At 31 December 2015	84,033	360,266	-	19,805	464,104

The movement in the year within Loans to Group Companies relates to the ongoing Group legal rationalisation, the movement within available for sale investments relates to the revaluation of Tencent Music Entertainment Group ("TME") [previously known as China Music Corporation ("CMC")] shares and share warrants in Blogmusik held by the Company.

The fair value of CMC shares was determined by reference to the most recent transaction of TME shares. The fair value of the share warrants in Blogmusik was determined using the Black Scholes model, having taken the following key assumptions into account:

- implied share price based on most recent observable transactions;
- risk free interest rate based on French government 5 year bonds and
- volatility of 100%.

Subsidiary and related undertakings

Details of the company's subsidiary and related undertakings are listed in note 23.

EMI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

17. DEBTORS: Amounts due within one year

	2016 £'000	2015 £'000
Amounts owed by group undertakings	1,252,476	2,633,592
VAT recoverable	-	3
Prepayments and accrued income	-	23
	<u>1,252,476</u>	<u>2,633,618</u>

All amounts owed from fellow group undertakings are classified as current as they are repayable on demand. Interest rates on intercompany loans have been agreed between parties on a loan by loan basis.

18. CREDITORS: Amounts falling due within one year

	2016 £'000	2015 £'000
Amounts owed to group undertakings	530,608	1,484,570
Other creditors	750	8,189
Accruals and deferred income	-	40
	<u>531,358</u>	<u>1,492,799</u>

All amounts owed to fellow group undertakings are classified as current as they are repayable on demand. Interest rates on intercompany loans have been agreed between parties on a loan by loan basis.

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Other Provisions £'000	Total £'000
At 1 January 2016	1,000	1,000
Additions	-	-
Amounts charged against provision	(487)	(487)
Unused amounts released	(115)	(115)
At 31 December 2016	<u>398</u>	<u>398</u>

The other provisions amount represents probable amounts to be paid out on leases guaranteed by the company

EMI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

20. SHARE CAPITAL

Authorised:

	2016		2015	
	No	£'000	No	£'000
Ordinary shares of £0.14 each	1,134,206,498	158,789	1,134,206,498	158,789
Ordinary B shares of £1.145 each	419,054,387	479,817	419,054,387	479,817
	<u>1,553,260,885</u>	<u>638,606</u>	<u>1,553,260,885</u>	<u>638,606</u>

Allotted, called up and fully paid:

	2016		2015	
	No	£'000	No	£'000
Ordinary shares of £0.14 each	920,361,759	128,851	920,361,759	128,851
	<u>920,361,759</u>	<u>128,851</u>	<u>920,361,759</u>	<u>128,851</u>

21. RESERVES

Share premium: The reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve: The capital redemption reserve represents a historical reduction in distributable reserves for the amount paid to redeem preference B shares as part of a share capital reorganisation.

Other reserves: Other reserves of the company contain a special reserve which reflects the share premium account reduction of July 1988.

AFS reserve: Includes amounts on revaluation for investments classified as available for sale.

22. ULTIMATE PARENT COMPANY

The immediate parent undertaking is EMI Group (Newco) Limited. The ultimate parent undertaking and controlling party as at 31 December 2016 was Vivendi SA, a company incorporated in France. The smallest and largest group in which the results of the company are consolidated is that headed by Vivendi SA. Copies of its annual report in English may be obtained from:

Vivendi SA
42 Avenue de Friedland
75380 Paris
Cedex 08
France

On 25 April 2017 Bolloré Group became the ultimate parent undertaking and controlling party.

EMI GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

23. Subsidiary and related undertakings

Company Name	Registered Office Address	% Shareholding
British Sealed Beams Limited	364-366 Kensington High Street, London, W14 8NS	40
EMI (IP) Limited	364-366 Kensington High Street, London, W14 8NS	100
EMI Group (MPR) Limited	364-366 Kensington High Street, London, W14 8NS	100
EMI Group Finance Limited	364-366 Kensington High Street, London, W14 8NS	100
EMI Group Senior Executive Pensions Trust Limited	364-366 Kensington High Street, London, W14 8NS	100
Lamp Caps Limited	364-366 Kensington High Street, London, W14 8NS	100
Lamp Metals Limited	364-366 Kensington High Street, London, W14 8NS	50
The In Good Company Co Limited	19 Portland Place, London, W1B 1PX	25
Thorn EMI Limited	364-366 Kensington High Street, London, W14 8NS	100
UMG Supply Chain Limited	364-366 Kensington High Street, London, W14 8NS	100
Virgin Music Group	364-366 Kensington High Street, London, W14 8NS	100
EMI Group Holdings (UK)	364-366 Kensington High Street, London, W14 8NS	100
EMI Records UK Holdco Limited	364-366 Kensington High Street, London, W14 8NS	100
Electric and Musical Industries Ltd	364-366 Kensington High Street, London, W14 8NS	100
EMI Group Hayes Ltd	364-366 Kensington High Street, London, W14 8NS	100
IMET (21) Ltd	364-366 Kensington High Street, London, W14 8NS	100
John Taylor, Dunford & Co Ltd	364-366 Kensington High Street, London, W14 8NS	100
Abbey Road Studios Ltd	364-366 Kensington High Street, London, W14 8NS	100
Virgin Records Limited	364-366 Kensington High Street, London, W14 8NS	100
EMI Limited	364-366 Kensington High Street, London, W14 8NS	100
EMI Group Properties Ltd	364-366 Kensington High Street, London, W14 8NS	100
EMI UK Holdings	364-366 Kensington High Street, London, W14 8NS	100
EMI Group Electronics Ltd	364-366 Kensington High Street, London, W14 8NS	100
Loudclothing.com Limited	364-366 Kensington High Street, London, W14 8NS	100
Universal Music Direct Limited	364-366 Kensington High Street, London, W14 8NS	100
Relentless 2006 Limited	364-366 Kensington High Street, London, W14 8NS	100
Charisma Records Ltd	364-366 Kensington High Street, London, W14 8NS	100
EMI Global Ltd	364-366 Kensington High Street, London, W14 8NS	100
Virgin EG Records Ltd	364-366 Kensington High Street, London, W14 8NS	100
Sacred Heart Records Ltd	364-366 Kensington High Street, London, W14 8NS	100
VRL 1 Ltd	364-366 Kensington High Street, London, W14 8NS	100
AR Institute S.a.r.l.	124, Boulevard de la Pétrusse, Luxembourg, 2330, Luxembourg	50
Mawlaw 388 Limited	364-366 Kensington High Street, London, W14 8NS	100
Jaydone Limited	364-366 Kensington High Street, London, W14 8NS	100
EMI Group Worldwide	364-366 Kensington High Street, London, W14 8NS	100
Virgin Records Australia Pty Ltd	150 William Street, Woolloomooloo New South Wales 2011, Australia	100
EGW USD	364-366 Kensington High Street, London, W14 8NS	100
Virgin Records Overseas Ltd	364-366 Kensington High Street, London, W14 8NS	100
EMI Discos Mexico SA de CV	Río Tigris 33, Colonia Cuauhtémoc, Delegación Cuauhtémoc, México, D.F., C.P. 06500, Mexico	50
EMI Group International Holdings Ltd	364-366 Kensington High Street, London, W14 8NS	100

EMI GROUP LIMITED

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YEAR ENDED 31 DECEMBER 2016

23. Subsidiary and related undertakings (continued)

Company Name	Registered Office Address	% Shareholding
E.M.I. Overseas Holdings Ltd	364-366 Kensington High Street, London, W14 8NS	100
EMI Discos Mexico SA de CV	Río Tigris 33, Colonia Cuauhtémoc, Delegación Cuauhtémoc, México, D.F., C.P. 06500, Mexico	50
EMI Group International Holdings Ltd	364-366 Kensington High Street, London, W14 8NS	100
EMI Recorded Music Colombia SA (in Liquidation)	Calle 103 No. 19-60, Piso 3, Bogotá, 98765, Colombia	100
EMI Odeon Grabeciones Musicales Chile Ltda	Av. Santa Maria 2670, Oficina 503, Providencia, Santiago, Chile	100
EMI Recorded Music (Chile) Ltd	364-366 Kensington High Street, London, W14 8NS, United Kingdom	100
EMI Odeon Sociedad Anonima Industrial y Comercial	Olga Cossettini, 1553, 1st Floor, Ciudad Autónoma de Buenos Aires, C1107 CEK, Argentina	90
EMI (Malaysia) Sdn Bhd	Level 8, Symphony House, Block D13, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya Selangor Darul Ehsan, Malaysia	100
EMI Group Holdings BV	364-366 Kensington High Street, London, W14 8NS	100
EMI Records Austria GmbH	Kärntner Straße 30, 1010, Wien, Austria	100
Virgin Records (India) PVT Ltd	4th Floor, Samir Complex, St. Andrews Road, Bandra (West), Mumbai, 400 050, India	100
EMI Recorded Music, SA de CV	Río Tigris 33, Colonia Cuauhtémoc, Delegación Cuauhtémoc, México, D.F., C.P. 06500, Mexico	100
EMI Music South Africa (Pty) Ltd	Design District Building, 2nd Floor, 7 Keyes Avenue, Rosebank, Johannesburg, South Africa	50
The CCP Record Company (Pty) Ltd	Design District Building, 2nd Floor, 7 Keyes Avenue, Rosebank, Johannesburg, South Africa	100
EMI Music de Uruguay SA	none - c/o Attorney's office Bado, Kuster, Zerbino & Rachetti, Treinta y Tres 1269, Montevideo, C.P. 11000, Uruguay	100
EMI Holding Lebanon SAL	GEDCO Center, 6th Floor, Horsh Tabet, Beirut, Lebanon	98
EMI Music Egypt Ltd	22 Mohamed El Nady Street, Nasr City, Cairo, Egypt	100
EMI Music Mexico, SA de CV	Río Tigris 33, Colonia Cuauhtémoc, Delegación Cuauhtémoc, México, D.F., C.P. 06500, Mexico	50
EGH1 BV	Gerrit van der Veenlaan 4, 3743 DN, Baarn, Netherlands	100
Relax In Music SAL	GEDCO Center, 6th Floor, Horsh Tabet, Beirut, Lebanon	60
Relax-In Egypt Ltd	9 Ymen Street, Lebanon Sq - El Mohandssen, Abd Al Halem Gaafar Office, Cairo, Egypt	100
EMI Records France Holdco Ltd	364-366 Kensington High Street, London, W14 8NS	100
Minos EMI SA	245-247 Messoghion Avenue, Neo Psychico, Athens, 15451, Greece	100
EMI Finland Oy	Merimiehenkatu 36 D, Helsinki, 00150, Finland	100
EMI -Kent Elektronik San Ve Tic AS	Inonu Cad. No: 59 D:1-3 Ankara Palas, Gumussuyu, Istanbul, 34437, Turkey	100
Universal Music Taksim Edisyon AS	Arnavutköy Mah Kamaci, Sokak No:10, 34345 Besiktas, Istanbul, Turkey	100
Universal Music Publishing Turkey Muzik Yayim Limited Sirketi	Arnavutkoy Mah. Kamaci Sok, No. 10 34345 Arnavutkoy, Besiktas, Istanbul, Turkey	100