

COMPANY REGISTRATION NUMBER 01070953

**VIRGIN RECORDS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**VIRGIN RECORDS LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2016**

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# **VIRGIN RECORDS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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### **THE BOARD OF DIRECTORS**

AM Barker  
EJ Berkeley  
EJ Cockle  
RM Constant  
BJ Muir  
DRJ Sharpe

### **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

# **VIRGIN RECORDS LIMITED**

## **STRATEGIC REPORT**

### **YEAR ENDED 31 DECEMBER 2016**

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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 the sale and distribution of all forms of recorded music and merchandise.

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 £58,281,000 (2015 - profit £7,575,000). The retained profit for the year has been transferred to reserves.

A dividend of £21,000,000 was paid during the year ended 31 December 2016 (2015 - £172,000,000). No further dividends have been recommended by the directors.

#### **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 the 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



DRJ Sharpe  
Director

31 MAY 2017

# **VIRGIN RECORDS LIMITED**

## **DIRECTORS' REPORT**

### **YEAR ENDED 31 DECEMBER 2016**

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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:

AM Barker  
EJ Berkeley  
A Brown  
EJ Cockle  
RM Constant  
BJ Muir  
DRJ Sharpe

A Brown resigned as a director on 31 March 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**

During the year the company made the following contributions:

	2016 £	2015 £
Charitable donations	6,490	4,606
	<u>6,490</u>	<u>4,606</u>

# **VIRGIN RECORDS LIMITED**

## **DIRECTORS' REPORT (continued)**

**YEAR ENDED 31 DECEMBER 2016**

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### **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:

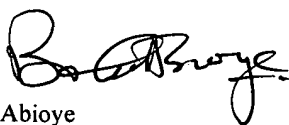
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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: 01070953

31 MAY 2017

# **VIRGIN RECORDS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN RECORDS LIMITED YEAR ENDED 31 DECEMBER 2016**

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We have audited the financial statements of Virgin Records 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 22. 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.

# **VIRGIN RECORDS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN RECORDS LIMITED (continued)**

**YEAR ENDED 31 DECEMBER 2016**

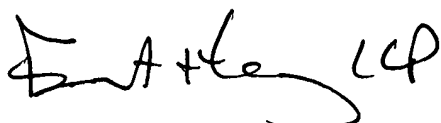
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### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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:

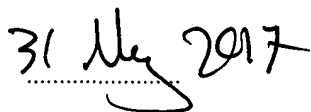
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law 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



Company Registration Number: 01070953



**VIRGIN RECORDS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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	Note	Total 2016 £'000	Total 2015 £'000
<b>TURNOVER</b>	<b>4</b>	<b>55,910</b>	<b>55,686</b>
Cost of sales		(25,232)	(21,597)
<b>GROSS PROFIT</b>		<b>30,678</b>	<b>34,089</b>
Distribution costs		(487)	(550)
Administrative expenses		(16,181)	(16,833)
Other operating income		24	-
<b>OPERATING PROFIT</b>	<b>5</b>	<b>14,034</b>	<b>16,706</b>
Income from participating interests		533,518	-
Interest receivable and similar income	<b>8</b>	4,610	6,594
Amounts written off investments		(477,018)	-
Interest payable and similar charges	<b>9</b>	(16,040)	(14,556)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>59,104</b>	<b>8,744</b>
Tax on profit on ordinary activities	<b>10</b>	(823)	(1,169)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>58,281</b>	<b>7,575</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>58,281</b>	<b>7,575</b>

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

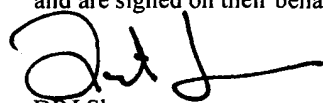
**The notes on pages 10 to 22 form part of these financial statements**

**VIRGIN RECORDS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Note	2016 £'000	2015 £'000
<b>FIXED ASSETS</b>			
Intangible assets	11	11,573	13,499
Property, plant & equipment	12	6,542	4,339
Financial assets	13	-	905,033
		<u>18,115</u>	<u>922,871</u>
<b>CURRENT ASSETS</b>			
Inventories	14	482	237
Debtors: Amounts falling due within one year	15	1,255,689	738,433
Cash at bank		12	-
		<u>1,256,183</u>	<u>738,670</u>
<b>CREDITORS: Amounts falling due within one year</b>	16	<u>(280,685)</u>	<u>(704,473)</u>
<b>NET CURRENT ASSETS</b>		<u>975,498</u>	<u>34,197</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>993,613</u>	<u>957,068</u>
<b>PROVISIONS FOR LIABILITIES</b>			
Provisions for liabilities and charges	18	<u>(3,792)</u>	<u>(4,528)</u>
<b>NET ASSETS</b>		<u>989,821</u>	<u>952,540</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	21	897,390	897,390
Share premium account		45,144	45,144
Profit and loss account		47,287	10,006
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>989,821</u>	<u>952,540</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

  
DRJ Sharpe  
Director

The notes on pages 10 to 22 form part of these financial statements

**VIRGIN RECORDS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2016**

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	Share capital £'000	Share Premium £'000	Profit & Loss share-holders' Account £'000	Total share-holders' funds £'000
Balance brought forward at 1 January 2015	1,197,390	45,144	174,431	1,416,965
<b>Total comprehensive income for the period</b>				
Profit for the year	-	-	7,575	7,575
<b>Transactions with owners in their capacity as owners</b>				
Dividends paid	-	-	(172,000)	(172,000)
Return of capital	(300,000)	-	-	(300,000)
Balance brought forward at 1 January 2016	897,390	45,144	10,006	952,540
<b>Total comprehensive income for the period</b>				
Profit for the year	-	-	58,281	58,281
<b>Transactions with owners in their capacity as owners</b>				
Dividends paid	-	-	(21,000)	(21,000)
<b>Balance carried forward at 31 December 2016</b>	<b>897,390</b>	<b>45,144</b>	<b>47,287</b>	<b>989,821</b>

**The notes on pages 10 to 22 form part of these financial statements**

# **VIRGIN RECORDS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **YEAR ENDED 31 DECEMBER 2016**

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#### **1. STATUTORY INFORMATION**

Virgin Records 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. The financial statements are prepared in sterling, which is the functional currency of the company, and have been rounded to the nearest £000. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

##### **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

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.

##### **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.

**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2016**

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**3. ACCOUNTING POLICIES (continued)**

**Revenue recognition**

Turnover represents goods sold less returns, the invoiced value of services and royalty income, excluding VAT. Turnover from the sale of goods and services is recognised when the company has transferred the significant risks and rewards of ownership, control of the goods and services sold and the amount of revenue can be measured reliably.

Turnover is attributable to one activity; the marketing and distribution of recorded music. United Kingdom digital and royalty income is credited to the statement of comprehensive income in the period to which it relates.

**Intangible assets and goodwill**

***Goodwill***

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

***Intangible assets***

Expenditure on internally generated goodwill and brands is recognised in the statement of comprehensive income as an expense as incurred.

Other 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:

Goodwill	10% Straight line
Other Intangibles	10% Straight line

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.

Goodwill and other intangible assets are tested for impairment in accordance with FRS 102, Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2016**

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**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	2% Straight line
Plant & Machinery	10% - 33.33% 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.

***Advances***

Advances to unproven artists are expensed. Advances to other artists are written down to the estimated amount that will be recoverable from future royalty payments to the artist. Net advances to artists are classified as falling due within one year, although elements may not be recovered until more than one year. Long term advances to artists, where the effect of the time value of money is material, are discounted.

***Interest-bearing loans 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 arms 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.

**Inventories**

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2016**

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**3. ACCOUNTING POLICIES (continued)**

**Provision for royalty audit claims**

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

**Expenses**

***Interest receivable and Interest payable***

Interest receivable and payable relates to balances due from and to group undertakings, and are recognised in profit or loss as they accrue.

**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 it is 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.

**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2016**

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**4. TURNOVER**

Turnover by activity is as follows:

	2016 £'000	2015 £'000
Product Sales	30,591	18,256
Royalties	25,319	37,430
	<u>55,910</u>	<u>55,686</u>

Turnover by destination is as follows:

	2016 £'000	2015 £'000
United Kingdom	39,877	44,094
Rest of Europe	6,932	4,392
United States of America	5,917	4,679
Rest of World	3,184	2,521
	<u>55,910</u>	<u>55,686</u>

Turnover by source is exclusively derived in the United Kingdom.

**5. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	2016 £'000	2015 £'000
Amortisation of intangible assets	1,926	1,926
Depreciation of owned fixed assets	658	597
	<u></u>	<u></u>

**6. AUDITORS' REMUNERATION**

The auditors' remuneration for the year ended 31 December 2016 was £30,000 (2015 - £30,000) and was borne by another group company in both years.

**7. PARTICULARS OF EMPLOYEES**

The company had no employees during the year ended 31 December 2016 (2015 - none).

Emoluments for the directors of the Company are paid for by a fellow group company. The fellow group company has not recharged any amount to the Company (2015: nil) on the basis that they are unable to make a reasonable apportionment of the portion of these total emoluments that relate to qualifying services provided by directors of the Company.



**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2016**

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**8. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2016 £'000	2015 £'000
Interest receivable from group undertakings	4,610	6,594
	<u>4,610</u>	<u>6,594</u>

**9. INTEREST PAYABLE AND SIMILAR CHARGES**

	2016 £'000	2015 £'000
Interest payable to group undertakings	16,040	14,556
	<u>16,040</u>	<u>14,556</u>

**10. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**(a) Analysis of tax charge in the year**

	2016 £'000	2015 £'000
<b>Current tax:</b>		
<b>UK Taxation</b>		
In respect of the year		
Adjustments in respect of previous years	22	(1,049)
Group relief payable/(receivable) for losses claimed from/surrendered to other group undertakings	738	2,137
Total current tax	<u>761</u>	<u>1,088</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	79	(50)
Adjustments in respect of prior periods	(16)	131
Total deferred tax	<u>63</u>	<u>81</u>
Tax on profit on ordinary activities	<u>823</u>	<u>1,169</u>

**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2016**

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**10. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)**

	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Current Tax</b>	<b>Deferred Tax</b>	<b>Total Tax</b>	<b>Current Tax</b>	<b>Deferred Tax</b>	<b>Total Tax</b>
Recognised in Profit and loss	761	63	823	1,088	81	1,169
<b>Total Tax</b>	<b>761</b>	<b>63</b>	<b>823</b>	<b>1,088</b>	<b>81</b>	<b>1,169</b>

**(b) Factors affecting 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 20.00% (2015 - 20.25%).

Under the Finance (No. 2) Act 2015, the main rate of corporation tax was 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.

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before taxation	<b>59,104</b>	<b>8,744</b>
Profit on ordinary activities at the standard rate of UK Corporation tax of 20.00% (2015: 20.25%)	<b>11,821</b>	<b>1,770</b>
Expenses not deductible for tax purposes	<b>(11,008)</b>	<b>286</b>
Adjustments in respect of previous periods	<b>6</b>	<b>(917)</b>
Impact of statutory rate change	<b>4</b>	<b>30</b>
<b>Current tax charge for the financial year</b>	<b>823</b>	<b>1,169</b>

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**11. INTANGIBLE FIXED ASSETS**

	<b>Goodwill</b>	<b>Other Intangible</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>COST</b>			
At 1 January 2016 and 31 December 2016	<u>12,485</u>	<u>6,778</u>	<u>19,263</u>
<b>AMORTISATION</b>			
At 1 January 2016	3,754	2,010	5,764
Charge for the year	<u>1,249</u>	<u>677</u>	<u>1,926</u>
<b>At 31 December 2016</b>	<u>5,003</u>	<u>2,687</u>	<u>7,690</u>
<b>NET BOOK VALUE</b>			
At 31 December 2016	<u>7,482</u>	<u>4,091</u>	<u>11,573</u>
At 31 December 2015	<u>8,731</u>	<u>4,768</u>	<u>13,499</u>

**12. PROPERTY, PLANT & MACHINERY**

	<b>Land &amp; Buildings</b>	<b>Leasehold Properties</b>	<b>Leasehold Improvements</b>	<b>Plant &amp; Machinery</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>COST</b>					
At 1 January 2016	1,517	569	921	17,539	20,546
Additions	-	-	-	2,861	2,861
<b>At 31 December 2016</b>	<u>1,517</u>	<u>569</u>	<u>921</u>	<u>20,400</u>	<u>23,407</u>
<b>DEPRECIATION</b>					
At 1 January 2016	465	569	46	15,127	16,207
Charge for the year	<u>34</u>	<u>-</u>	<u>46</u>	<u>578</u>	<u>658</u>
<b>At 31 December 2016</b>	<u>499</u>	<u>569</u>	<u>92</u>	<u>15,705</u>	<u>16,865</u>
<b>NET BOOK VALUE</b>					
At 31 December 2016	<u>1,018</u>	<u>-</u>	<u>829</u>	<u>4,695</u>	<u>6,542</u>
At 31 December 2015	<u>1,052</u>	<u>-</u>	<u>875</u>	<u>2,412</u>	<u>4,339</u>

**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**12. PROPERTY, PLANT & MACHINERY (continued)**

	2016 £'000	2015 £'000
<b>The net book amount of land and buildings comprises:</b>		
Freehold	1,018	1,052
	<u>1,018</u>	<u>1,052</u>

**13. FINANCIAL ASSETS (INVESTMENTS)**

	Shares In Subs/Grp £'000	Total £'000
<b>COST/FAIR VALUE</b>		
At 1 January 2016	1,360,963	1,360,963
Disposals in the year	(483,514)	(483,514)
<b>At 31 December 2016</b>	<u>877,449</u>	<u>877,449</u>
<b>PROVISION FOR IMPAIRMENT</b>		
At 1 January 2016	455,930	455,930
Written off in year	421,519	421,519
<b>At 31 December 2016</b>	<u>877,449</u>	<u>877,449</u>
<b>NET BOOK VALUE</b>		
<b>At 31 December 2016</b>	<u>-</u>	<u>-</u>
At 31 December 2015	<u>905,033</u>	<u>905,033</u>

During the year, the following subsidiary companies were dissolved:

Ten Records Limited	Leisure and Entertainment Limited
Associated Virgin Labels Limited	Siren Records Limited
Circa Records Limited	VC Records Limited
Circa DRTV Limited	Virgin Studios Limited
Famous Charisma Label Limited	VRL 9 Limited
Digital Stores Limited	

The company also received a return of capital from Charisma Records Limited.

The cost of these investments had previously been fully impaired, as such the impact of these transactions was a disposal of investments totalling £55,499,000, and an equal and opposite write back of provision for impairment.

Finally the company received a return of capital of £428,015,000 from EMI Limited, which reduced the cost of investment above. This subsidiary is no longer active so the remaining investment cost has been fully impaired, increasing the provision for impairment by £477,017,000.

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**13. FINANCIAL ASSETS (INVESTMENTS) (continued)**

**Subsidiary Undertakings**

The principal subsidiaries of Virgin Records Limited, as at 31 December 2016 were as follows:

<b>Name</b>	<b>Country of Incorporation</b>	<b>Ordinary share holding</b>
Sacred Heart Records Limited	England & Wales	100%
EMI UK Holdings	England & Wales	100%
Mawlaw 388 Limited	England & Wales	100%
EMI Limited	England & Wales	100%
Virgin Music Limited	England & Wales	100%
Jaydone Limited	England & Wales	100%
Relentless 2006 Limited	England & Wales	100%
Loudclothing.com	England & Wales	100%
EMI Global Limited	England & Wales	100%
EMI Group Properties Limited*	England & Wales	100%
EMI Group Electronics Limited*	England & Wales	100%
Universal Music Direct Limited	England & Wales	100%
VRL 1 Limited	England & Wales	100%

All of the subsidiaries have the registered office address of 364 - 366 Kensington High Street, London W14 8NS. They are all directly owned, except for those companies marked with an asterisk, which are owned by a another directly owned subsidiary.

**14. INVENTORIES**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Finished goods	<b>482</b>	<b>237</b>

The difference between the purchase price of inventories and their replacement cost is not material.

**VIRGIN RECORDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2016**

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**15. DEBTORS: Amounts due within one year**

	2016 £'000	2015 £'000
Trade debtors	438	669
Amounts owed by group undertakings	1,249,698	733,544
Other debtors	-	33
Prepayments and accrued income	5,355	3,926
Deferred taxation (note 17)	198	261
	<u>1,255,689</u>	<u>738,433</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.

**16. CREDITORS: Amounts falling due within one year**

	2016 £'000	2015 £'000
Trade creditors	16,837	16,870
Amounts owed to group undertakings	258,754	682,307
VAT	46	-
Other creditors	1	69
Accruals and deferred income	5,047	5,227
	<u>280,685</u>	<u>704,473</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.

# **VIRGIN RECORDS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2016**

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### **17. DEFERRED TAXATION**

**The movement in the deferred taxation account during the year was:**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward	<b>261</b>	<b>342</b>
Deferred taxation on ordinary activities account movement arising during the year	<b>(79)</b>	<b>50</b>
Prior year adjustment	<b>-</b>	<b>(131)</b>
	<hr/>	<hr/>
Provision carried forward	<b>198</b>	<b>261</b>
	<hr/>	<hr/>

**The movement for deferred taxation consists of the tax effect of timing differences in respect of:**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Excess of depreciation over taxation allowances	<b>(38)</b>	<b>(29)</b>
Other timing differences	<b>236</b>	<b>290</b>
	<hr/>	<hr/>
	<b>198</b>	<b>261</b>
	<hr/>	<hr/>

**The deferred tax is included in the statement of financial position is as follows:**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Included in debtors (note 15)	<b>198</b>	<b>261</b>
	<hr/>	<hr/>

**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**18. PROVISIONS FOR LIABILITIES AND CHARGES**

	Other Provisions £'000	Total £'000
At 1 January 2016	4,528	4,528
Statement of comprehensive income movement arising during the year	(736)	(736)
<b>At 31 December 2016</b>	<b>3,792</b>	<b>3,792</b>

Provision is made against the outcome of artist royalty audits ongoing at the statement of financial position date, and against additional artist royalty obligations anticipated by management at the statement of financial position date, resulting from a past event likely to give rise to the transfer of economic benefit.

The directors anticipate that these liabilities will crystallise in the foreseeable future.

**19. POST BALANCE SHEET EVENTS**

No post balance sheet events have been identified by management.

**20. CAPITAL COMMITMENTS**

The company had no capital commitments at 31 December 2016 or 31 December 2015.

**21. SHARE CAPITAL**

**Allotted, called up and fully paid:**

	2016 No	£'000	2015 No	£'000
Ordinary shares of £1 each	897,389,961	897,390	897,389,961	897,390
	<u>897,389,961</u>	<u>897,390</u>	<u>897,389,961</u>	<u>897,390</u>

**22. ULTIMATE PARENT COMPANY**

The immediate parent undertaking is Virgin Music Group. 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.