

**VIRGIN RECORDS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL**  
**STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

WEDNESDAY



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COMPANIES HOUSE

# **VIRGIN RECORDS LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2014**

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# **VIRGIN RECORDS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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### **THE BOARD OF DIRECTORS**

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

### **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 2014**

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The directors present their strategic report for the company for the year ended 31 December 2014.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the period was the sale and distribution of all forms of recorded music and merchandise. These activities are unlikely to change in the foreseeable future.

The result and position of the company for the year ended 31 December 2014 are set out in the profit and loss account and balance sheet on pages 7 and 8 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 £2,005,546 (9 Months To 31 December 2013 - £18,280,000). Prior year included profit from the disposal of NOW! compilations in April 2013. The retained profit for the year has been transferred to reserves.

The directors do not recommend the payment of a dividend for the financial year (9 Months To 31 December 2013 - £nil).

### **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 other major and independent record companies that market and distribute recorded music and video;
- competition from alternative entertainment products;
- price pressure from the increased presence of supermarkets in the music markets 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 of the digital market can replace the decline in the physical 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 below, 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

26 JUN 2015

# **VIRGIN RECORDS LIMITED**

## **DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2014**

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The directors present their report and the financial statements of the company for the year ended 31 December 2014.

### **DIRECTORS**

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

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

### **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 charitable contributions of £1,500 (9 Months To December 2013 - £nil).

### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the directors' 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 (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 period. 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;

# VIRGIN RECORDS LIMITED

## DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2014

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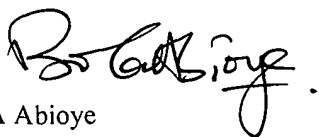
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

26 JUN 2015

# **VIRGIN RECORDS LIMITED**

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

**YEAR ENDED 31 DECEMBER 2014**

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We have audited the financial statements of Virgin Records Limited for the year ended 31 December 2014, which comprise the Profit and Loss Account, the Balance Sheet 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).

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 pages 3 to 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

# **VIRGIN RECORDS LIMITED**

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

**YEAR ENDED 31 DECEMBER 2014**

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### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion 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.

### **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

1/7/15

Company Registration Number: 01070953



**VIRGIN RECORDS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

		<b>Year Ended 31 December 2014 £'000</b>	<b>9 Months To 31 December 2013 £'000</b>
	<b>Note</b>		
<b>TURNOVER</b>	<b>2</b>	65,908	49,635
Cost of sales		(36,222)	(30,142)
<b>GROSS PROFIT</b>		29,686	19,493
Distribution costs		(625)	(960)
Administrative expenses		(16,455)	(15,522)
<b>OPERATING PROFIT</b>	<b>3</b>	12,606	3,011
Profit on disposal of intangible assets	<b>6</b>	–	18,578
Impairment loss on investment in subsidiaries	<b>7</b>	–	(262)
		12,606	21,327
Interest receivable and similar income	<b>8</b>	6,356	9,931
Interest payable and similar charges	<b>9</b>	(14,295)	(13,901)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		4,667	17,357
Tax on profit on ordinary activities	<b>10</b>	(2,661)	923
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>2,006</u>	<u>18,280</u>

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

The company has no recognised gains or losses other than the results for the year as set out above.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The notes on pages 9 to 20 form part of these financial statements.

# VIRGIN RECORDS LIMITED

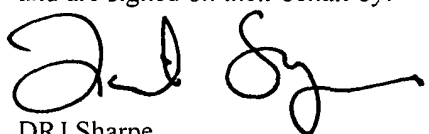
## BALANCE SHEET

AS AT 31 DECEMBER 2014

	Note	2014 £'000	2013 £'000
<b>FIXED ASSETS</b>			
Intangible assets	11	15,425	17,384
Tangible assets	12	3,036	2,762
Investments	13	905,033	905,033
		<u>923,494</u>	<u>925,179</u>
<b>CURRENT ASSETS</b>			
Stocks	14	97	91
Debtors	15	1,180,296	1,164,512
		<u>1,180,393</u>	<u>1,164,603</u>
<b>CREDITORS: Amounts falling due within one year</b>	17	<u>(684,692)</u>	<u>(671,508)</u>
<b>NET CURRENT ASSETS</b>		<u>495,701</u>	<u>493,095</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,419,195	1,418,274
<b>PROVISIONS FOR LIABILITIES</b>			
Provisions for liabilities and charges	18	<u>(2,230)</u>	<u>(3,315)</u>
		<u>1,416,965</u>	<u>1,414,959</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	19	1,197,390	1,197,390
Share premium account	20	45,144	45,144
Profit and loss account	20	<u>174,431</u>	<u>172,425</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	20	<u>1,416,965</u>	<u>1,414,959</u>

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

26 JUN 2015



DRJ Sharpe  
Director

The notes on pages 9 to 20 form part of these financial statements.

# **VIRGIN RECORDS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **YEAR ENDED 31 DECEMBER 2014**

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#### **1. ACCOUNTING POLICIES**

##### **Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements have been prepared on a going concern basis.

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.

##### **Cash flow statement and related party disclosures**

The company is a wholly owned subsidiary of Viendi S.A. who control 90% or more of the voting rights and is included in the consolidated financial statements of the group, which are publicly available. Consequently, the company has taken advantage of the exemption in FRS 1 'Cash flow statements' from preparing a cash flow statement and the exemption of FRS 8 from disclosing transaction with entities that are part of the Vivendi S.A. group of investees of that group.

##### **Revenue recognition**

Turnover represents the invoiced value of services and royalty income to third parties, 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 royalty income is credited to the profit and loss account in the period to which it relates.

##### **Goodwill**

Goodwill is stated at cost net of amortisation and any provisions for impairment.

##### **Intangible fixed assets**

Other intangible assets are stated at cost net of amortisation and any provision for impairment.

##### **Amortisation**

Amortisation 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:

Goodwill	- 10% Straight line
Other Intangible Assets	- 10% Straight line

**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2014**

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**1. ACCOUNTING POLICIES** *(continued)*

**Fixed assets**

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

**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:

Freehold Buildings	- 2% Straight line
Plant and 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.

**Investments**

Investments in subsidiary and associated undertakings are stated at cost less, where relevant, a provision for impairment.

**Stocks**

Stocks are stated at the lower of cost and net realisable value after making due allowances 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.

**Taxation**

The credit/charge for taxation is based on the profit/loss for the period and takes into account taxation deferred because of the timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax in the future or a right to pay less tax in the future.

Timing differences are differences between the company's taxable profit and loss and its results as stated in the financial statements. No deferred tax is recognised on permanent differences.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

# VIRGIN RECORDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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### 1. ACCOUNTING POLICIES *(continued)*

#### **Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are recorded in the profit and loss account.

#### **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 after more than one year. Long term advances to artists, where the effect of the time value of money is material, are discounted.

#### **Provision for royalty audit claims**

A provision for royalty audit claims is made 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.

#### **Interest-bearing loans and borrowings**

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.

### 2. TURNOVER

Turnover by destination is as follows:

	Year Ended 31 December 2014 £'000	9 Months To 31 December 2013 £'000
United Kingdom	45,617	45,360
Rest of Europe	8,246	1,992
United States of America	7,645	831
Rest of World	4,400	1,452
	<u>65,908</u>	<u>49,635</u>

Turnover, by source is exclusively derived in the United Kingdom.

**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2014**

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**3. OPERATING PROFIT**

Operating profit is stated after charging:

	<b>Year Ended 31 December 2014 £'000</b>	<b>9 Months To 31 December 2013 £'000</b>
Amortisation of intangible assets	1,959	1,548
Depreciation of owned fixed assets	<u>498</u>	<u>427</u>

**4. AUDITORS' REMUNERATION**

The auditors' remuneration for the year ended 31 December 2014 was £30,000 (9 Months To December 2013 £115,000) and was borne by another group company in both periods.

**5. PARTICULARS OF EMPLOYEES**

There were no employees serving during the year. (9 Months To December 2013 : Nil)

The emoluments of the directors of the company were borne by other group companies during the period. (9 Months To December 2013 : Nil)

**6. PROFIT ON DISPOSAL OF INTANGIBLE ASSETS**

	<b>Year Ended 31 December 2014 £'000</b>	<b>9 Months To 31 December 2013 £'000</b>
Profit on disposal of intangible assets	<u>—</u>	<u>18,578</u>

The company sold music catalogues during the period ended 31 December 2013 realising a profit of £18,578,000.

**7. IMPAIRMENT LOSS ON INVESTMENT IN SUBSIDIARIES**

	<b>Year Ended 31 December 2014 £'000</b>	<b>9 Months To 31 December 2013 £'000</b>
Impairment loss on investment in subsidiaries	<u>—</u>	<u>262</u>

**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2014**

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**8. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>Year Ended 31 December 2014 £'000</b>	<b>9 Months To 31 December 2013 £'000</b>
Other Interest	—	88
Interest receivable from group undertakings	6,356	9,843
	<u>6,356</u>	<u>9,931</u>

**9. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>Year Ended 31 December 2014 £'000</b>	<b>9 Months To 31 December 2013 £'000</b>
Other finance charges	285	—
Interest payable to group undertakings	14,010	13,901
	<u>14,295</u>	<u>13,901</u>

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

**(a) Analysis of (credit) / charge in the year**

	<b>Year Ended 31 December 2014 £'000</b>	<b>9 Months To 31 December 2013 £'000</b>
Current tax:		
UK Corporation tax on profit/loss for the year	-	-
Group relief payable for losses surrendered from other group undertakings	2,080	-
Total current tax	<u>2,080</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences (note 16)		
Capital allowances	329	(451)
Other	252	(472)
Total deferred tax (note 16)	<u>581</u>	<u>(923)</u>
Tax on profit on ordinary activities	<u>2,661</u>	<u>(923)</u>

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# VIRGIN RECORDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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

#### **(b) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 21.50% (2013 - 23%).

The Finance Act 2013 enacted reductions in the UK corporate tax rate to 21% from April 2014 and 20% from April 2015. Deferred tax assets and liabilities are measured at the rate that is expected to apply to the accounting period when the asset is realised or the liability is settled, based on the above rates.

	<b>Year Ended 31 December 2014 £'000</b>	<b>9 Months To 31 December 2013 £'000</b>
Profit on ordinary activities before taxation	<u>4,667</u>	<u>17,357</u>
Profit on ordinary activities at the standard rate of UK Corporation tax of 21.50% (2013: 23%)	1,003	3,992
Items not deductible for tax purposes	1,206	405
Impact of group relief claimed/surrendered for no compensation	-	(5,000)
Movement in timing differences	(155)	539
Impact of statutory effective rate difference of 0.5%	<u>26</u>	<u>64</u>
Current tax charge for the financial year	<u>2,080</u>	<u>-</u>

#### **(c) Factors that may affect future tax charges**

The company has no unutilized tax losses to carry forward (9 Months To December 2013 : £Nil).



**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2014**

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**11. INTANGIBLE FIXED ASSETS**

	<b>Goodwill</b>	<b>Catalogue Cost</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>COST</b>			
At 1 January 2014 and 31 December 2014	<u>12,485</u>	<u>6,778</u>	<u>19,263</u>
<b>AMORTISATION</b>			
At 1 January 2014	1,257	622	1,879
Charge for the year	<u>1,249</u>	<u>710</u>	<u>1,959</u>
<b>At 31 December 2014</b>	<u>2,506</u>	<u>1,332</u>	<u>3,838</u>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2014</b>	<u>9,979</u>	<u>5,446</u>	<u>15,425</u>
At 31 December 2013	<u>11,228</u>	<u>6,156</u>	<u>17,384</u>

Goodwill relates to the purchase of Abbey Road Studios, amortised over 10 years.

**12. TANGIBLE FIXED ASSETS**

	<b>Land and Buildings £'000</b>	<b>Leasehold Property £'000</b>	<b>Plant &amp; Machinery £'000</b>	<b>Total £'000</b>
<b>COST</b>				
At 1 January 2014	1,517	569	15,791	17,877
Additions	–	–	721	721
Transfers	–	–	51	51
<b>At 31 December 2014</b>	<u>1,517</u>	<u>569</u>	<u>16,563</u>	<u>18,649</u>
<b>DEPRECIATION</b>				
At 1 January 2014	420	569	14,126	15,115
Charge for the year	<u>23</u>	<u>–</u>	<u>475</u>	<u>498</u>
<b>At 31 December 2014</b>	<u>443</u>	<u>569</u>	<u>14,601</u>	<u>15,613</u>
<b>NET BOOK VALUE</b>				
<b>At 31 December 2014</b>	<u>1,074</u>	<u>–</u>	<u>1,962</u>	<u>3,036</u>
At 31 December 2013	<u>1,097</u>	<u>–</u>	<u>1,665</u>	<u>2,762</u>

**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2014**

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**13. INVESTMENTS**

	<b>Total £'000</b>
<b>COST</b>	
At 1 January 2014 and 31 December 2014	<u>1,360,963</u>
<b>PROVISION FOR IMPAIRMENT</b>	
At 1 January 2014 and 31 December 2014	<u>455,930</u>
<b>NET BOOK VALUE</b>	
At 31 December 2014 and 31 December 2013	<u>905,033</u>

**Principal Subsidiary Undertakings**

In the opinion of the directors, the value of the investments is at least equal to their carrying value.

The principal subsidiary undertakings of Virgin Records Limited are as follows:

<b>Name</b>	<b>Ordinary share holdings</b>	<b>Nature of business</b>
Ten Records Limited	100%	Non-trading
Charisma Records Limited	100%	Non-trading
Circa Records Limited	100%	Non-trading
Siren Records Limited	100%	Non-trading
Associated Virgin Record Labels Limited	100%	Non-trading
Virgin EG Records Limited (held by subsidiary undertaking)	100%	Non-trading
Sacred Heart Records Limited	100%	Non-trading
EMI UK Holdings	100%	Holding company
Mawlaw 388 Limited	100%	Record company
EMI Limited	100%	Holding company
Circa DRTV Records Limited(formerly Virgin Records DRTV Ltd)	100%	Non-trading
Virgin Music Limited	98.75%	Non-trading
Jaydone Limited	100%	Record company
Relentless 2006 Limited	100%	Record company
Loudclothing.com	100%	Record company
Digital Stores Ltd	100%	Record company

**VIRGIN RECORDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2014**

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**14. STOCKS**

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Finished goods	<u>97</u>	<u>91</u>

The difference between the purchase price or production cost of stock and their replacement cost is not material.

**15. DEBTORS**

	<b>2014</b>	2013
	<b>£'000</b>	£'000
Trade debtors	1,590	—
Amounts owed by group undertakings	1,173,283	1,136,681
Other debtors	1,518	20,535
Prepayments and accrued income	3,563	6,373
Deferred taxation (note 16)	<u>342</u>	<u>923</u>
	<u>1,180,296</u>	<u>1,164,512</u>

Loans 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.

Included within the amounts owed by group undertakings are receivables of £284,000 held with overseas companies.

All advances are reported as current assets, including advances expected to fully recoup more than 12 months after the balance sheet date.

**VIRGIN RECORDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2014**

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**16. DEFERRED TAXATION**

The deferred tax included in the Balance sheet is as follows:

	<b>Year Ended 31 December 2014 £'000</b>	<b>9 Months To 31 December 2013 £'000</b>
Included in debtors (note 15)	<u>342</u>	<u>923</u>

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

	<b>Year Ended 31 December 2014 £'000</b>	<b>9 Months To 31 December 2013 £'000</b>
Balance brought forward	923	-
Profit and loss account movement arising during the year	(581)	<u>923</u>
Balance carried forward	<u>342</u>	<u>923</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	<b>2014 £'000</b>	<b>2013 £'000</b>
Excess of depreciation over taxation allowances	122	451
Other timing differences	<u>220</u>	<u>472</u>
	<u>342</u>	<u>923</u>

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

	<b>2014 £'000</b>	<b>2013 £'000</b>
Trade creditors	16,852	12,774
Amounts owed to group undertakings	658,973	642,839
Other creditors	3,039	1,258
Accruals and deferred income	<u>5,828</u>	<u>14,637</u>
	<u>684,692</u>	<u>671,508</u>

Loans 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.

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

	<b>Other provisions £'000</b>
Balance brought forward	3,315
Profit and Loss Account movement arising during the year	<u>(1,085)</u>
Balance carried forward	<u>2,230</u>

	<b>Other provisions £'000</b>	<b>Deferred taxation £'000</b>	<b>Total £'000</b>
Balance brought forward at 1 Jan 2014	3,315	-	3,315
Additional provisions credited during the year	<u>(1,085)</u>	<u>-</u>	<u>(1,085)</u>
Balance carried forward at 31 Dec 2014	<u>2,230</u>	<u>-</u>	<u>2,230</u>

Provision is made against the outcome of artist royalty audits ongoing at the balance sheet date, and against additional artist royalty obligations anticipated by management at the balance sheet 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. SHARE CAPITAL**

**Authorised share capital:**

	<b>2014 £'000</b>	<b>2013 £'000</b>
1,197,389,961 Ordinary shares of £1 each	<u>1,197,390</u>	<u>1,197,390</u>

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

	<b>2014 No</b>	<b>£'000</b>	<b>2013 No</b>	<b>£'000</b>
Ordinary shares of £1 each	<u>1,197,389,961</u>	<u>1,197,390</u>	<u>1,197,389,961</u>	<u>1,197,390</u>

# VIRGIN RECORDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

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### 20. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total share- holders' funds £'000
Balance brought forward at 1 April 2013	1,197,390	45,144	154,145	1,396,679
Profit for the period	—	—	18,280	18,280
Balance brought forward at 1 January 2014	1,197,390	45,144	172,425	1,414,959
Profit for the year	—	—	2,006	2,006
Balance carried forward at 31 December 2014	<u>1,197,390</u>	<u>45,144</u>	<u>174,431</u>	<u>1,416,965</u>

### 21. POST BALANCE SHEET EVENT

No post balance sheet events have been identified by management.

### 22. ULTIMATE PARENT COMPANY

The ultimate parent undertaking and controlling party is Vivendi SA, a company incorporated in France. The smallest and largest group in which the results of the company will be consolidated will be that headed by Vivendi SA, incorporated in France. Copies of its annual report in English may be obtained from:

Vivendi S.A.  
42 Avenue de Friedland  
75380 Paris  
Cedex 08  
France