

VIRGIN RECORDS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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VIRGIN RECORDS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2017

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VIRGIN RECORDS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

AM Barker
EJ Berkeley
EJ Cockle
BJ Muir
DRJ Sharpe

COMPANY SECRETARY

A Abioye

REGISTERED OFFICE

364-366 Kensington High Street
London
W14 8NS

AUDITOR

Deloitte LLP
Statutory Auditor
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ
United Kingdom

VIRGIN RECORDS LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report for the company for the year ended 31 December 2017.

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 2017 are set out in the statement of comprehensive income, statement of financial position and statement of changes in equity on pages 9, 10 and 11 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 £1,402,000, (2016 - profit £58,281,000). The profit was higher in 2016 due to a company rationalisation process that resulted in recognition of income from participating interests.

The retained profit for the year has been transferred to reserves. The directors do not recommend a dividend payment for the year ended 31 December 2017 (2016 - £21,000,000).

KEY PERFORMANCE INDICATORS

The company uses a variety of performance indicators to review historical performance and plan for the future. The key indicators are turnover, gross profit margin, and net assets, as described below.

Turnover

Turnover levels were maintained in 2017, with only a small decrease of 6% compared to the prior year. The outlook for future years appears positive based on increasing demand for streaming services.

Gross profit margin

The company's gross profit margin increased from 55% to 59% this year. This was the result of both product mix and strong cost controls maintained by the company.

Net assets

The company has net assets of £991,223,000 (2016 - £989,821,000). The increase was driven by profitability during the year.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company uses a variety of financial instruments including cash, equity instruments and various instruments such as artist advances, trade receivables and trade payables that arise directly from its operations.

The directors are of the view that the main risks arising from the company's financial instruments are exchange rate risk, interest rate risk, and liquidity risk, as summarised below:

Exchange rate risk

Exchange rate fluctuation presents a risk because some sales are priced in overseas currencies, and certain balances are denominated in currencies other than Sterling. The directors do not consider that the potential downside is significant enough to require hedging but continue to monitor the potential risk.

Interest rate risk

The company does not have any significant external borrowings and as such the directors consider the interest rate risk to be minimal at this stage.

Liquidity risk

The company manages its financial risk by ensuring liquidity is sufficient to meet future needs, and that sufficient funding is in place before any new commitments are entered into. Cash flow forecasts are monitored by management on a regular basis.

VIRGIN RECORDS LIMITED
STRATEGIC REPORT (continued)
YEAR ENDED 31 DECEMBER 2017

PRINCIPAL RISKS AND UNCERTAINTIES

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

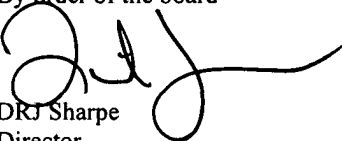
- competition from alternative entertainment products;
- price pressure from the increased presence of supermarkets in the music market and their threat to the survival of independent music retailers;
- the threat of a devalued product due to piracy and the illegal use of music; and
- uncertainty as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

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

Date: 18 May 2018

VIRGIN RECORDS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2017

The directors present their report, together with the financial statements and the auditor's report of the company for the year ended 31 December 2017.

They have included the following matters within the strategic report, otherwise required to be disclosed in the directors' report, as they are considered to be of strategic importance to the company.

- Results and dividends;
- Financial risk management objectives and policies;
- Principal risks and uncertainties; and
- Future developments.

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.

RM Constant resigned as a director on 28 July 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 section 236 of the Companies Act 2006. Vivendi SA, headed by Bolloré Group, 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:

	2017 £	2016 £
Charitable donations	29,806	6,490
	<u>29,806</u>	<u>6,490</u>

VIRGIN RECORDS LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 31 DECEMBER 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law 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), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

AUDITOR

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.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP were appointed as the company's auditor during the financial period. Pursuant to Section 487 of the Companies Act 2006, they will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

By order of the board



A Abioye

Company Secretary

Date: 18 May 2018

Company Registration Number: 01070953

VIRGIN RECORDS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN RECORDS LIMITED YEAR ENDED 31 DECEMBER 2017

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with requirements of the Companies Act 2006.

We have audited the financial statement of Virgin Records Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

VIRGIN RECORDS LIMITED

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

YEAR ENDED 31 DECEMBER 2017

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

VIRGIN RECORDS LIMITED

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

YEAR ENDED 31 DECEMBER 2017

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors report.

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.

We have nothing to report in respect of these matters.

C. Siviter

Claire Siviter, FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Statutory Auditor

Southampton, United Kingdom

18 May 2018

Company Registration Number: 01070953

VIRGIN RECORDS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
TURNOVER	4	52,786	55,910
Cost of sales		(21,703)	(25,232)
GROSS PROFIT		31,083	30,678
Distribution costs		(1,270)	(487)
Administrative expenses		(17,836)	(16,181)
Other operating income		-	24
OPERATING PROFIT	5	11,977	14,034
Income from participating interests		-	533,518
Interest receivable and similar income	8	6,704	4,610
Amounts written off investments		-	(477,018)
Interest payable and similar charges	9	(16,621)	(16,040)
PROFIT BEFORE TAXATION		2,060	59,104
Tax on profit	10	(658)	(823)
PROFIT FOR THE FINANCIAL YEAR		1,402	58,281
TOTAL COMPREHENSIVE INCOME		1,402	58,281

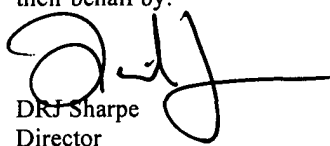
All of the activities of the company are classed as continuing operations.

The notes on pages 12 to 25 form part of these financial statements

VIRGIN RECORDS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
FIXED ASSETS			
Intangible assets	11	8,917	11,573
Property, plant & equipment	12	8,616	6,542
Investments	13	-	-
		<u>17,533</u>	<u>18,115</u>
CURRENT ASSETS			
Inventories	14	366	482
Debtors: Amounts falling due within one year	15	1,021,425	1,255,689
Cash at bank		13	12
		<u>1,021,804</u>	<u>1,256,183</u>
CREDITORS: Amounts falling due within one year	16	<u>(45,493)</u>	<u>(280,685)</u>
NET CURRENT ASSETS		<u>976,311</u>	<u>975,498</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>993,844</u>	<u>993,613</u>
PROVISIONS FOR LIABILITIES			
Provisions for liabilities and charges	18	<u>(2,621)</u>	<u>(3,792)</u>
NET ASSETS		<u>991,223</u>	<u>989,821</u>
CAPITAL AND RESERVES			
Called-up equity share capital	20	897,390	897,390
Share premium account		45,144	45,144
Profit and loss account		48,689	47,287
EQUITY SHAREHOLDERS' FUNDS		<u>991,223</u>	<u>989,821</u>

These financial statements were approved by the board of directors and authorised for issue on 18 May 2018 and are signed on their behalf by:


DRJ Sharpe
Director

Company Registration Number: 01070953

The notes on pages 12 to 25 form part of these financial statements

VIRGIN RECORDS LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2017

	Share capital £'000	Share premium £'000	Profit & loss account £'000	Total shareholders' funds £'000
Balance brought forward 1 January 2016	897,390	45,144	10,006	952,540
Total comprehensive income				
Profit for the financial year	-	-	58,281	58,281
Dividends paid	-	-	(21,000)	(21,000)
Balance brought forward 1 January 2017	897,390	45,144	47,287	989,821
Total comprehensive income				
Profit for the financial year	-	-	1,402	1,402
Balance carried forward at 31 December 2017	897,390	45,144	48,689	991,223

The notes on pages 12 to 25 form part of these financial statements

VIRGIN RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Virgin Records Limited is a private company limited by shares and incorporated in the UK under the Companies Act 2006 and registered in England and Wales. The registered office is 364-366 Kensington High Street, London, W14 8NS.

The principal activities of the company and the nature of its operations are set out in the strategic report on page 2 to 3.

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.

FRS 102 - Qualifying exemptions

The company meets the definition of a qualifying entity under FRS 102 and has therefore 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 transactions with wholly owned group entities;
- from disclosing key management personnel compensation; and
- from certain financial instrument disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instruments*.

This information is included in the consolidated financial statements of the company's 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 parent undertaking prepares publicly available consolidated financial statements 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 financial statements. 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, and at least 12 months from the date the financial statements are authorised for issue. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

VIRGIN RECORDS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
YEAR ENDED 31 DECEMBER 2017

3. ACCOUNTING POLICIES (continued)

Turnover

Turnover comprises the value of sales of physical goods, digital products, royalty income and services rendered during the year. It is stated net of VAT, discounts and returns.

Turnover from sales of goods is recognised upon despatch, when the significant risks and rewards are considered to be transferred to the customer. Turnover relating to digital products and royalty income is recognised when the products are sold, or if it cannot be reliably estimated, on a receipts basis. Turnover relating to service is recognised once the services have been performed. Royalties payable are charged against the relevant income of the same period.

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.

Other intangible assets

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.

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
Leasehold improvements	5% 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.

VIRGIN RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2017

3. ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

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 (continued)

YEAR ENDED 31 DECEMBER 2017

3. ACCOUNTING POLICIES (continued)

Impairment (excluding inventories and deferred tax assets)

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss previously recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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 in the statement of comprehensive income as they accrue.

Dividend income

Dividend income is recognised in the statement of comprehensive income on the date the company's right to receive payments is established.

VIRGIN RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2017

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 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. 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.

Critical accounting judgements and key sources of estimation uncertainty

The directors may make judgements in the application of the accounting policies above that have a significant impact on the amounts recognised, and may make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

VIRGIN RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2017

3. ACCOUNTING POLICIES (continued)

Critical judgements in applying the Group's accounting policies

The directors have concluded there are no critical judgements to disclose.

Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of intangible assets

The directors assess intangible assets for indicators of impairment at each reporting date. This involves reviewing recent financial performance as well as financial forecasts, the preparation of which involves an element of estimation. The carrying value of the assets potentially subject to this uncertainty is disclosed in note 11.

Intangible assets - useful economic lives

The useful lives of intangible assets are determined by management at the time they are acquired, and then reassessed for reasonableness at each reporting date. Future developments or changes in their use may impact the lives in future periods.

Artist royalty provisions

The company holds a provision for artist royalty audits as disclosed in note 18. The value of the provision is an estimate and the actual costs and timing of cash flows are dependent on future events. Any differences between expectations and the actual future liability are accounted for in the period when such determination is made.

Artist advance provisions

The company makes provisions against artist advances based on an assessment of the likelihood of recovering the balance through future artist royalties, which involves an element of estimation. The actual artist royalties may differ from these estimates.

4. TURNOVER

Turnover by activity is as follows:

	2017 £'000	2016 £'000
Product Sales	21,806	30,591
Royalties	30,981	25,319
	<u>52,786</u>	<u>55,910</u>

Turnover by destination is as follows:

	2017 £'000	2016 £'000
United Kingdom	33,747	39,877
Rest of Europe	7,341	6,932
United States of America	7,808	5,917
Rest of World	3,891	3,184
	<u>52,786</u>	<u>55,910</u>

VIRGIN RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2017

5. OPERATING PROFIT

Operating profit is stated after charging:

	2017	2016
	£'000	£'000
Impairment of intangible assets	730	-
Amortisation of intangible assets	1,926	1,926
Depreciation of owned fixed assets	967	658
Cost of inventories recognised as an expense	998	1,413
Impairment of inventories	100	230
	<u> </u>	<u> </u>

6. AUDITOR'S REMUNERATION

The auditor's remuneration for the year ended 31 December 2017 was £22,500 (2016 - £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 2017 (2016 - 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 (2016 - 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.

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£'000	£'000
Interest receivable from group undertakings	6,704	4,610
	<u> </u>	<u> </u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£'000	£'000
Interest payable to group undertakings	16,621	16,040
	<u> </u>	<u> </u>

VIRGIN RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2017

10. TAX ON PROFIT

(a) Analysis of tax charge in the year

	2017 £'000	2016 £'000
Current tax:		
UK Corporation tax based on the results for the year at 19.25% (2016 : 20.00%)	7	-
Adjustments in respect of previous years	(19)	22
Foreign tax suffered	7	-
Group relief payable for losses claimed from other group undertakings	589	738
Double taxation relief	(7)	-
Total current tax	577	760
Deferred tax:		
Origination and reversal of timing differences	81	79
Adjustments in respect of prior periods	-	(16)
Total deferred tax	81	63
Tax on profit	658	823

(b) Factors affecting tax charge

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%).

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 that is expected to apply to the accounting period when the asset is realised or the liability is settled, based on the above rates.

	2017 £'000	2016 £'000
Profit before taxation	2,060	59,104
Profit at the standard rate of UK Corporation tax of 19.25% (2016 - 20.00%)	397	11,821
Expenses not deductible/(income not taxable) for tax purposes	291	(11,008)
Adjustments in respect of previous periods	(19)	6
Double tax relief	(7)	-
Foreign tax suffered in the period	7	-
Impact of statutory rate change	(11)	4
Current tax charge for the financial year	658	823

VIRGIN RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2017

11. INTANGIBLE FIXED ASSETS

	Goodwill	Other Intangibles	Total
	£'000	£'000	£'000
COST			
At 1 January 2017	12,485	6,778	19,263
Impairment	-	(1,427)	(1,427)
At 31 December 2017	12,485	5,351	17,836
AMORTISATION			
At 1 January 2017	5,003	2,687	7,690
Charge for the year	1,248	678	1,926
Impairment	-	(697)	(697)
At 31 December 2017	6,251	2,668	8,919
NET BOOK VALUE			
At 31 December 2017	6,234	2,683	8,917
At 31 December 2016	7,482	4,091	11,573

During the year the directors reviewed the intangible assets for indicators of impairment, and identified that indicators were present in respect of one South East Asian catalogue asset that was acquired in 2013. The recoverable amount of the asset is considered to be minimal, and on that basis an impairment of the full net book value of £729,000 has been recognised through administrative expenses.

VIRGIN RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2017

12. PROPERTY, PLANT & EQUIPMENT

	Land & Buildings £'000	Leasehold Properties £'000	Leasehold Improvements £'000	Plant & Machinery £'000	Total £'000
COST					
At 1 January 2017	1,517	569	921	20,399	23,406
Additions	-	-	-	3,042	3,042
Disposals	-	-	-	(1,968)	(1,968)
At 31 December 2017	1,517	569	921	21,473	24,480
DEPRECIATION					
At 1 January 2017	499	569	92	15,705	16,865
Charge for the year	34	-	46	887	967
Disposals	-	-	-	(1,968)	(1,968)
At 31 December 2017	532	569	138	14,625	15,864
NET BOOK VALUE					
At 31 December 2017	985	-	783	6,849	8,616
At 31 December 2016	1,018	-	829	4,695	6,542

VIRGIN RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2017

13. INVESTMENTS

	Shares in subsidiaries £'000	Total £'000
COST		
At 1 January 2017 and 31 December 2017	<u>877,449</u>	<u>877,449</u>
PROVISION FOR IMPAIRMENT		
At 1 January 2017 and 31 December 2017	<u>877,449</u>	<u>877,449</u>
NET BOOK VALUE		
At 31 December 2016 and 31 December 2017	<u>-</u>	<u>-</u>

Subsidiary Undertakings

The subsidiaries of Virgin Records Limited as at 31 December 2017 were as follows:

Name	Share holding type	%
Sacred Heart Records Limited	Ordinary shares	100
EMI UK Holdings	Ordinary shares	100
Mawlaw 388 Limited	Ordinary shares	100
EMI Limited	Ordinary shares	100
Jaydone Limited	Ordinary shares	100
Relentless 2006 Limited	Ordinary shares	100
EMI Group Electronics Limited*	Ordinary shares	100
Universal Music Direct Limited	Ordinary shares	100

All of the subsidiaries have a registered office address of 364 - 466 Kensington High Street, London, W14 8NS. They are all directly owned, except for those marked with an asterisk, which are owned by another directly owned subsidiary.

VIRGIN RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2017

14. INVENTORIES

	2017 £'000	2016 £'000
Finished goods	<u>366</u>	<u>482</u>

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

15. DEBTORS: Amounts due within one year

	2017 £'000	2016 £'000
Trade debtors	615	438
Amounts owed by group undertakings	1,015,972	1,249,698
Other debtors	300	-
Prepayments and accrued income	4,421	5,355
Deferred taxation (note 17)	117	198
	<u>1,021,425</u>	<u>1,255,689</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

	2017 £'000	2016 £'000
Trade creditors	13,452	16,837
Amounts owed to group undertakings	27,689	258,754
VAT	74	46
Other creditors	154	-
Accruals and deferred income	4,124	5,048
	<u>45,493</u>	<u>280,685</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 (continued)

YEAR ENDED 31 DECEMBER 2017

17. DEFERRED TAXATION

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

	2017 £'000	2016 £'000
Balance brought forward	198	261
Deferred taxation on ordinary activities account movement arising during the year	(81)	(63)
Provision carried forward	<u>117</u>	<u>198</u>

Deferred taxation consists of the tax effect of timing differences in respect of:

	2017 £'000	2016 £'000
Excess of depreciation over taxation allowances	(41)	(38)
Other timing differences	158	236
	<u>117</u>	<u>198</u>

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Other Provisions £'000	Total £'000
At 1 January 2017	3,792	3,792
At 31 December 2017	<u>2,621</u>	<u>2,621</u>

	Other Provisions £'000	Total £'000
At 1 January 2017	3,792	3,792
Statement of comprehensive income movement arising during the year	(1,171)	(1,171)
At 31 December 2017	<u>2,621</u>	<u>2,621</u>

Provision is made against the outcome of artist royalty audits ongoing at the reporting date, and against additional artist royalty obligations anticipated by management at the reporting date, resulting from a past event likely to give rise to the transfer of economic benefit. Until such time as a formal audit notification is received, the liability is not expected to crystallise within 12 months of the reporting date and is therefore classified as a non current provision.

VIRGIN RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

YEAR ENDED 31 DECEMBER 2017

19. ARTIST ADVANCE COMMITMENTS

At 31 December 2017 the company had contractual commitments in respect of artist advances of £76,000 (2016 - £184,000), of which £76,000 (2016 - £184,000) relate to the next financial year.

20. SHARE CAPITAL

Allotted, called up and fully paid:

	2017 No	£'000	2016 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>

The company has one class of ordinary shares which have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

21. RESERVES

Profit and loss reserve

The profit and loss reserve reflects cumulative profits or losses, net of dividends and other adjustments.

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

22. ULTIMATE PARENT COMPANY

The immediate parent undertaking is Virgin Music Group. The ultimate parent undertaking and controlling party is Bolloré Group.

The smallest group in which the results of the company are consolidated is that headed by Vivendi SA, a company incorporated in France. Copies of its annual report in English may be obtained from its registered office at:

42 Avenue de Friedland
75380 Paris
Cedex 08
France

The largest group in which the results of the company are consolidated is that headed by Bolloré Group, a company incorporated in France. Copies of its annual report in English may be obtained from its registered office at:

Tour Bolloré
31-32 quai de Dion Bouton
92 811 Puteaux
France



UNIVERSAL MUSIC

23 MAY 2018

By Hand

Companies House
4 Abbey Orchard Street
Westminster
London SW1P 2HT

Dear Sir or Madam

Financial Statements 31 December 2017

Please find enclosed the Directors' Report and Financial Statements in respect of the companies listed below:

1. Bravado International Group Limited
2. Concessions Management International Limited
3. Estupendo Records Limited
4. Trinifold Management Limited
5. Trinifold Music Limited

Yours faithfully

Bola Abioye
Group Company Secretary

Enc.