

**V2 RECORDS INTERNATIONAL LIMITED  
DIRECTORS' REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**



# **V2 RECORDS INTERNATIONAL LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2012**

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<b>CONTENTS</b>	<b>PAGES</b>
Officers and professional advisers	1
Directors' report	2 to 4
Independent auditor's report to the members	5 to 6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9 to 13

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# **V2 RECORDS INTERNATIONAL LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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### **THE BOARD OF DIRECTORS**

JD Rackham  
NB Hartley  
KB Gates  
MJ Lambot

### **COMPANY SECRETARY**

NB Hartley

### **REGISTERED OFFICE**

1 Bevington Path  
London  
SE1 3PW

### **AUDITORS**

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

# **V2 RECORDS INTERNATIONAL LIMITED**

## **DIRECTORS' REPORT**

### **YEAR ENDED 31 DECEMBER 2012**

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The directors presents his report and the financial statements of the company for the year ended 31 December 2012

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

The company did not trade during the current year

The result and position of the company as at and for the year ended 31 December 2012 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

#### **FUTURE DEVELOPMENTS**

The company has been sold to PIAS Recordings UK Limited as per the Share Sale and Purchase Agreement dated 25th February 2013. The effective sale date is 31st December 2012

Going forward the principal activity of the company will be the licensing and exploitation of phonographic recordings

#### **RESULTS AND DIVIDENDS**

The company's profit for the financial year was £7,568,505 (2011 - loss of £267,788). The retained profit for the year has been transferred to reserves

The directors do not recommend the payment of a dividend on the ordinary shares in issue (2011 - £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 market and their threat to survival of independent music retailers,
- the threat of a devalued product due to piracy and the illegal use of music,
- uncertainty as to whether the growth 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

#### **DIRECTORS**

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

RM Constant  
BJ Muir  
A Brown  
JD Rackham  
NB Hartley  
KB Gates  
MJ Lambot

# V2 RECORDS INTERNATIONAL LIMITED

## DIRECTORS' REPORT *(continued)*

### YEAR ENDED 31 DECEMBER 2012

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JD Rackham was appointed as a director on 12 November 2012

BJ Muir resigned as a director on 12 November 2012

A Brown resigned as a director on 12 November 2012

A J Doherty was appointed as a director on 27 March 2013

NB Hartley was appointed as a director on 1 April 2013

KB Gates was appointed as a director on 1 April 2013

MJ Lambot was appointed as a director on 1 April 2013

RM Constant resigned as a director on 27 March 2013

A J Doherty resigned as a director on 28 March 2013

#### GOING CONCERN

The financial statements have been prepared on a going concern basis. Based on its trading performance in 2013 and the cash generated from those activities and the forecast for 2014 the directors believe this is appropriate as they believe the company will have sufficient funds available to pay its liabilities as they fall due for a period of not less than one year from the date of approval of these financial statements.

#### 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 director has 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### DONATIONS

The company made no political donations in either year.

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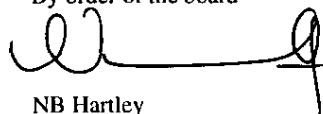
# V2 RECORDS INTERNATIONAL LIMITED

## DIRECTOR'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2012

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By order of the board



NB Hartley  
Director

Date 16 December 2013

Company Registration Number 03201180

# **V2 RECORDS INTERNATIONAL LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF V2 RECORDS INTERNATIONAL LIMITED**

**YEAR ENDED 31 DECEMBER 2012**

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We have audited the financial statements of V2 Records International Limited for the year ended 31 December 2012 which comprise Profit and Loss Account, the Balance Sheet and the related notes 1 to 11. 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 DIRECTOR AND AUDITORS**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# V2 RECORDS INTERNATIONAL LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF V2 RECORDS INTERNATIONAL LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2012

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### 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 2012 and of its profit for the year then ended, and
- 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

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

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

### 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

*Ernst & Young LLP*

Philip Young (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor

London

*18 December 2013*

Company Registration Number 03201180

# **V2 RECORDS INTERNATIONAL LIMITED**

## **PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

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	<b>Note</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>TURNOVER</b>		–	–
Other operating income		7,569	–
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>7,569</u>	<u>–</u>
Tax on profit on ordinary activities	<b>4</b>	–	(268)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<u>7,569</u>	<u>(268)</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

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The notes on pages 9 to 13 form part of these financial statements.

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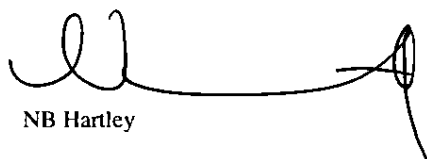
# V2 RECORDS INTERNATIONAL LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2012

	Note	2012 £'000	2011 £'000
<b>CURRENT ASSETS</b>			
Stocks	5	290	–
Debtors	6	2,744	–
		3,034	–
<b>CREDITORS: Amounts falling due within one year</b>	7	(3,034)	(7,569)
<b>NET CURRENT LIABILITIES</b>		–	(7,569)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		–	(7,569)
<b>CAPITAL AND RESERVES</b>			
Share capital	8	–	–
Profit and loss account	9	–	(7,569)
<b>EQUITY SHAREHOLDERS' DEFICIT</b>	9	–	(7,569)

These financial statements were approved and signed by the director and authorised for issue on 16<sup>th</sup> December 2013



NB Hartley

Director

The notes on pages 9 to 13 form part of these financial statements

# **V2 RECORDS INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2012**

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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

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

At the balance sheet date the company was a wholly owned subsidiary of Vivendi S A who controlled 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 from preparing a cash flow statement and the exemption of FRS 8 from disclosing transactions with entities that are part of the Vivendi S A group of investees of that group

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

#### **Taxation**

The charge for taxation is based on the result 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 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

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

#### **Revenue recognition**

United Kingdom digital and royalty income is credited to the profit and loss account in the period to which it relates, or if it cannot be reliably estimated, on a receipts basis. Overseas digital and royalty income, which is all collected on behalf of the company by other group undertakings, is credited to the profit and loss account in the period overseas sales are reported to the company. Royalties payable are charged against the relevant income of the same period

# V2 RECORDS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

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### 1 ACCOUNTING POLICIES *(continued)*

#### 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.

#### Going Concern

The financial statements have been prepared on a going concern basis. Based on its trading performance in 2013 and the cash generated from those activities and the forecast for 2014 the directors believe this is appropriate as they believe the company will have sufficient funds available to pay its liabilities as they fall due for a period of not less than one year from the date of approval of these financial statements.

### 2 OPERATING PROFIT

Operating profit is stated after crediting

	2012 £'000	2011 £'000
Auditor's remuneration - audit of the financial statements	-	-

The Auditors received £22,000 (2011 - £2,500) remuneration for audit services during the year which has been borne by other UK group undertakings and no remuneration for other services during the year (2011 - £nil).

### 3. PARTICULARS OF EMPLOYEES

Directors received total remuneration in 2012 of £11,000 (2011 - £nil) which was borne by other UK group undertakings.

### 4. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

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

	2012 £'000	2011 £'000
Deferred tax		
Origination and reversal of timing differences		
Other	-	268

# V2 RECORDS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2012

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#### 4 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES *(continued)*

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

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than the average rate of corporation tax in the UK of 24.5% (2011 - 26.5%)

The Finance Act 2012, which includes a reduction in the UK corporate tax rate to 24% from April 2012 and 23% from April 2013 has been enacted. Deferred tax assets and liabilities are measured at the rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the rates that have been enacted at the balance sheet date. Therefore, at 31 December 2012, deferred tax assets and liabilities have been calculated based on the rates that have been enacted by the balance sheet date.

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	7,569	-
Profit on ordinary activities at the average rate of UK corporation tax of 24.5% (2011 26.5%)	1,854	-
Expenses not deductible for tax purposes	(1,854)	-
Current tax for the financial year	-	-

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

The UK Government intends to reduce the UK corporate income tax further, to 20% from 1 April 2015. The future reduction has not been enacted at the balance sheet date so the effect of this has not been reflected in this financial statement, however it is not expected that this change would have a significant effect on the value of the company's deferred tax balances at the balance sheet date.

#### 5 STOCKS

	2012 £'000	2011 £'000
Finished goods	290	-

#### 6. DEBTORS

	2012 £'000	2011 £'000
Trade debtors	1,717	-
Amounts owed by group undertakings	344	-
Other debtors	514	-
Prepayments and accrued income	169	-
	2,744	-

All amounts owed by group undertakings are due from UK group undertakings and are interest free, unsecured and repayable on demand.

# V2 RECORDS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

### 7. CREDITORS: Amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	2,040	-
Amounts owed to group undertakings	-	7,569
Other creditors	270	-
Accruals and deferred income	724	-
	<u>3,034</u>	<u>7,569</u>

All amounts owed to group undertakings are due to UK group undertakings and are interest free, unsecured and repayable on demand

### 8 SHARE CAPITAL

Allotted, called up and fully paid:

	2012 No	£'000	2011 No	£'000
Ordinary shares of £1 each	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>

### 9 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Profit and loss account £'000
Balance brought forward at 1 January 2011	(7 301)
Loss for the year	<u>(268)</u>
Balance brought forward at 1 January 2012	(7,569)
Profit for the year	<u>7 569</u>
Balance carried forward at 31 December 2012	<u>-</u>

### 10 SUBSEQUENT EVENTS

The company has been sold to PIAS Recordings UK Limited as per the Share Sale and Purchase Agreement dated 25th February 2013. The effective sale date is 31st December 2012.

# **V2 RECORDS INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2012**

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### **11 ULTIMATE PARENT COMPANY**

At the balance sheet date the immediate parent undertaking was V2 Music Group Limited. The ultimate parent undertaking and controlling party was Vivendi SA, a company incorporated in France. The smallest and largest group in which the results of the company was consolidated was 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

As at the 28th March 2013 V2 Records International Limited was sold to PIAS Recordings UK Limited as per the Share Sale and Purchase Agreement dated 25th February 2013. From this date the immediate parent undertaking is PIAS recordings UK Limited. The ultimate parent undertaking and controlling party is LGS 2 SPRL, a company incorporated in Belgium.