

Digital Stores Limited

Directors' Report and Financial Statements

31 March 2013

Registered No 3840597

TUESDAY



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COMPANIES HOUSE

Digital Stores Limited

Registered No 3840597

Directors

A Brown (appointed 28 September 2012)
R M Constant (appointed 28 September 2012)
B J Muir (appointed 28 September 2012)
D N Kassler (resigned 28 September 2012)
S P Naughton (resigned 28 September 2012)
R C Faxon (resigned 28 September 2012)
R C Prior (resigned 28 September 2012)

Secretaries

A Abioye

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Registered Office

364-366 Kensington High Street
London
W14 8NS

Directors' report

The directors present their report and financial statements for the year ended 31 March 2013

Results and dividends

The Company made a profit for the year, after taxation, of £174,000 (2012 £136,000) The directors do not recommend the payment of a dividend (2012 – £nil)

Principal activity and review of the business

The Company is engaged in the sale and distribution of artist music and merchandise This activity is unlikely to change in the foreseeable future

Financial review

Turnover has increased by £1,777,000 (62%) compared to the prior year, while operating profit has increased by £38,000 (28%) and net liabilities have decreased by £174,000 (17%)

Going concern

These financial statements show that at 31 March 2013 the Company had net current liabilities of £919,000

The Company's intermediate holding company, Societe d'Investissements et de Gestion 104 S A S, has indicated that it intends to provide the company with sufficient funding to enable it to meet its liabilities as they fall due over a period of at least the next 12 months and as a result the directors have adopted the going concern basis in preparing these financial statements at 31 March 2013

Analysis of key performance indicators

The directors and management of the Company use a number of key performance indicators (KPIs) to assess the ongoing performance of the business The principal profit KPI used by the directors is EBITDA, which is considered a proxy for cash flow The directors define EBITDA as the profit from operations stated before depreciation, amortisation, exceptional items (including restructuring costs) and the share of associates' and joint ventures' results EBITDA for the year ended 31 March 2013 was a profit of £325,000 (2012 profit of £318,960)

Key risks and uncertainties

The Company's business faces a number of risks and uncertainties as is normal for a Company of its size and complexity The directors consider that the principal risks faced by the business include

- The current uncertainty in global economic conditions would adversely affect the prospects and results of the business,
- The downward pressure on retail pricing of music and merchandise products leading to pressure on the margins,
- The continuing exposure of the music industry to illegal music downloads and file sharing, coupled with the exposure of the merchandise industry to counterfeit product, both factors leading to lost revenues and margin

Sale

The company has previously formed part of the Recorded Music division of EMI On 11 November 2011, EMI Group Global Limited signed a definitive agreement to sell its Recorded Music division to Universal Music Group The transactions were subject to certain closing conditions, including the approval by relevant regulatory authorities Regulatory approvals were obtained with the requirement for certain divestments and the Recorded Music business sale completed on 28 September 2012

The Company was not subject to these divestment requirements and continues to form a part of the Universal Music Group

Directors and their interests

The directors who served during the year and to the date of this report are shown below

A Brown (appointed 28 September 2012)

R M Constant (appointed 28 September 2012)

Directors' report

B J Muir (appointed 28 September 2012)
D N Kassler (resigned 28 September 2012)
S P Naughton (resigned 28 September 2012)
R C Faxon (resigned 28 September 2012)
R C Prior (resigned 28 September 2012)

Certain directors benefit from qualifying third party indemnity provisions at the date of this report

Political and charitable contributions

During the year, the Company made no political or charitable contributions (2012 – £nil)

Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board



A Abioye
Secretary

364 – 366 Kensington High Street
London
W14 8NS

06 SEP 2013

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report

to the members of Digital Stores Limited

We have audited the financial statements of Digital Stores Limited for the year ended 31 March 2013 set out on pages 7 - 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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.

Independent auditor's report

to the members of Digital Stores Limited

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



Hugh Green, Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

6 September 2013

Profit and loss account

for the year ended 31 March 2013

	<i>Note</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>
Turnover	2	4,665	2,888
Cost of sales		(3,735)	(1,993)
Gross profit		930	895
Distribution costs		(76)	(56)
Administrative expenses		(680)	(703)
Profit on ordinary activities before taxation	3	174	136
Tax on profit on ordinary activities	6	-	-
Profit on ordinary activities after taxation		174	136

As stated in the Directors' report, the results above for the year ended 31 March 2013 and 31 March 2012 are all derived from continuing activities

The notes on pages 10 to 15 form part of these financial statements

A note of historical cost profit and losses has not been prepared as part of the financial statements since the results disclosed in the profit and loss account are prepared on an unmodified historical cost basis

Statement of total recognised gains and losses

for the year ended 31 March 2013

There are no recognised gains or losses other than the profit of £174,000 in the year ended 31 March 2013
(2012 – £136,000)

Balance sheet

at 31 March 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	7	68	219
		<u>68</u>	<u>219</u>
Current assets			
Stocks		235	367
Debtors	8	493	190
Cash at bank and in hand		445	435
Creditors: amounts falling due within one year	9	(2,092)	(2,236)
		<u>(919)</u>	<u>(1,244)</u>
Net current liabilities			
		<u>(851)</u>	<u>(1,025)</u>
Total assets less current liabilities			
		<u>(851)</u>	<u>(1,025)</u>
Net Liabilities			
		<u>(851)</u>	<u>(1,025)</u>
Capital and reserves			
Called up share capital	10,11	1	1
Share premium account	11	712	712
Profit and loss account	11	(1,564)	(1,738)
		<u>(851)</u>	<u>(1,025)</u>
Equity shareholders' funds	11	<u>(851)</u>	<u>(1,025)</u>

The notes on pages 10 to 15 form part of these financial statements

The financial statements have been approved by the Board of Directors on 6th September 2013 and were signed on its behalf by



A Brown
Director

06 SEP 2013

Notes to the financial statements

at 31 March 2013

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, except as note below

Going concern

These financial statements show that at 31 March 2013 the Company had net current liabilities of £919,000

The Company's intermediate holding company, Societe d'Investissements et de Gestion 104 S A S, has indicated that it intends to provide the company with sufficient funding to enable it to meet its liabilities as they fall due over a period of at least the next 12 months and as a result the directors have adopted the going concern basis in preparing these financial statements at 31 March 2013

Statement of cash flows

Under FRS 1 'Cash flow statements', the Company is exempt from the requirement to prepare a cash flow statement since it is a wholly owned subsidiary undertaking

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised

- Sale of goods: revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer i.e. on despatch and can be reliably measured. Revenue is measured at fair value after making provision in respect of expected future returns of goods and services supplied by the company prior to the balance sheet date,
- Sales of consignment stock are recognised on an agency basis. This means that sales revenue and cost of goods for consignment sales are netted off so that the net margin is recorded as revenue in the profit and loss account

Depreciation

Depreciation of property, plant, equipment and vehicles is calculated on cost or valuation at rates estimated to write off the relevant assets by equal annual amounts over their expected useful lives. Effect is given, where necessary, to commercial and technical obsolescence

The annual rates used are

Plant, machinery and furniture	10% - 33.33%
Computer software	33.33%
Computer hardware	25%

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

Stocks

These are stated at the lower of cost and net realisable value, which is arrived at by making a provision for obsolete and slow moving items. Cost includes a proportion of manufacturing overheads

Taxation

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

Notes to the financial statements

at 31 March 2013

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Provision for royalty audit claims

A provision is made for royalty audit claims 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

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, group undertakings and associates

3. Notes to the profit and loss account

Net operating profit is stated after charging

	2013 £'000	2012 £'000
Audit of these financial statements	8	2
Depreciation	151	183
	<u> </u>	<u> </u>

Auditors' remuneration for the current year was paid for in full by Parlophone Records Limited

4. Directors' Remuneration

The directors are employed and remunerated as directors or executives of, or consultants to, other group undertakings

5. Staff costs

	2013 £'000	2012 £'000
Wages and salaries	387	323
Social security costs	33	35
Other costs	4	43
	<u> </u>	<u> </u>
	424	401
	<u> </u>	<u> </u>

The average number of employees during the year was made up as follows

	2012 No	2012 No
Marketing and production	17	15
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 March 2013

6. Tax

Analysis of charge in the period

	2013 £000	2012 £000
UK Corporation tax		
Current tax on income for the period	–	–
Adjustments in respect of prior periods	–	–
Total current tax	<u>–</u>	<u>–</u>
Deferred tax		
Origination/reversal of timing differences and utilisation of tax losses	–	–
Adjustments in respect of prior periods	–	–
Total deferred tax	<u>–</u>	<u>–</u>
Total tax on profit on ordinary activities	<u>–</u>	<u>–</u>

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 24% (2012 – 26%). The differences are reconciled below

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	174	136
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012 – 26%)	42	35
<i>Effect of</i>		
Depreciation in excess of capital allowances	14	14
Trading losses brought forward utilised	(56)	(49)
Total current tax charge	<u>–</u>	<u>–</u>

Factors affecting future tax charge

As part of the Universal Music Group, the company may receive or surrender losses by way of group relief. Equivalent receipts or surrenders have been made in the past without charge.

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has

Notes to the financial statements

at 31 March 2013

not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge

Deferred tax

At the balance sheet date the company had unrecognised tax losses carried forward of £587,675 (2012 £818,685) available to offset against future profit

7. Tangible fixed assets

	<i>Equipment, plant and vehicles £'000</i>
Cost	
At 31 March 2012	1,093
Additions	–
At 31 March 2013	1,093
Depreciation	
At 31 March 2012	874
Charged during the year	151
At 31 March 2013	1,025
Net book value	
At 31 March 2013	68
At 31 March 2012	219

8. Debtors

	<i>2013 £'000</i>	<i>2012 £'000</i>
Trade debtors	183	7
Other debtors and prepayments	310	183
	493	190

Trade and other debtors are collected by a fellow Group company, Parlophone Records Limited

Notes to the financial statements

at 31 March 2013

9. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	167	373
Interest-free loan from group undertaking	1,644	1,323
Interest bearing loan from group undertaking	77	–
Accruals	204	323
Tax liabilities (including VAT, PAYE/NI and Corporation Tax)	–	217
	<u>2,092</u>	<u>2,236</u>

Trade creditors and accruals are settled via a fellow Group company, Parlophone Records Limited

10. Share capital

	2013 £'000	2012 £'000
<i>Authorised</i>		
2,500,000 (2012 2,500,000) Ordinary shares of £0 0004 each	<u>1</u>	<u>1</u>
<i>Allotted, issued and fully paid</i>	<u>£'000</u>	<u>£'000</u>
1,373,000 (2012 1,373,000) Ordinary shares of £0 0004 each	<u>1</u>	<u>1</u>

11. Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total share- holders' funds £'000
At 31 March 2012	1	712	(1,738)	(1,025)
Profit for year	–	–	174	174
At 31 March 2013	<u>1</u>	<u>712</u>	<u>(1,564)</u>	<u>(851)</u>

12. Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard 8, "Related Party Disclosures" (FRS 8), not to disclose related party transactions between wholly owned group undertakings

Notes to the financial statements

at 31 March 2013

13. Post balance sheet events

No post balance sheet events have been identified by management

14. Ultimate parent undertaking

The immediate parent company of the Company at 31 March 2013 is Virgin Records Limited. The ultimate parent undertaking and controlling party is Vivendi SA, a company registered in Paris, France. The parent undertaking of the largest and smallest group in which the Company's financial information has been consolidated as at 31 March 2013 was Vivendi SA. Copies of the consolidated financial statements of Vivendi SA can be obtained from the Company's registered address, 42 Avenue de Friedland, Paris 75380.