

**COMPANY REGISTRATION NUMBER 01070953**

**VIRGIN RECORDS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**



**VIRGIN RECORDS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**VIRGIN RECORDS LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**THE BOARD OF DIRECTORS**

AM Barker  
BJ Muir  
DRJ Sharpe

**COMPANY SECRETARY**

A Abioye

**REGISTERED OFFICE**

4 Pancras Square  
London  
United Kingdom  
N1C 4AG

**AUDITOR**

Deloitte LLP  
Statutory Auditor  
Abbots House  
Abbey Street  
Reading  
RG1 3BD  
United Kingdom

# **VIRGIN RECORDS LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors present their strategic report for the company for the year ended 31 December 2022.

#### **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 company is part of Universal Music Group's UK operations.

The result of the company for the year ended 31 December 2022 and its position as at that date are set out in the statement of comprehensive income, statement of financial position and statement of changes in equity on pages 16, 17 and 18 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 £29,880,000 (2021: £17,720,000).

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 2022 (2021: £nil).

#### **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 grew by 9% compared to the previous year, driven by increasing demand for streaming services, alongside a growth in recording studio activity and retail sales at the Company's Abbey Road Studios, following a year which had a more limited impact from COVID-19.

##### ***Gross profit margin***

Gross profit margin grew slightly to 64% (2021: 62%) as a result of a change in product mix.

##### ***Net assets***

Net assets increased to £1,075,401,000 (2021: £1,045,521,000), driven by the company's continued profitability.

#### **SECTION 172 STATEMENT**

Under section 172 of the Companies Act 2006, the board of directors of a company must act to promote the success of the company for the benefit of its members as a whole.

The board of directors of Virgin Records Limited (the "board") constantly assesses the implications of decisions made, in terms of both the potential long-term consequences for the company, together with the impact on our stakeholders, including shareholders, artists, employees, suppliers and customers, the wider community and the environment.

The company is a member of the Universal Music UK group ("UMUK"). In making this statement the directors are referring to the relevant activities of the group.

##### **Shareholders**

The company is ultimately owned by Universal Music Group N.V. ("UMG N.V."), a company incorporated in the Netherlands. The board regularly communicates with UMG N.V. regarding strategy and performance through multiple channels, including:

- Regular and timely management accounts;
- Detailed and accurate financial budgets and forecasts;
- Collaboration as part of the UMG N.V. cash management policy; and
- Consultation and approval of any significant investment and acquisition decisions.

# **VIRGIN RECORDS LIMITED**

## **STRATEGIC REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **SECTION 172 STATEMENT (continued)**

##### Artists

The board recognises that the success of our artists is key to maintaining Universal Music's position as the UK's leading music company. Our Artist & Repertoire teams continue to work with their existing artists to create great new music, whilst identifying and nurturing emerging artists.

In 2022, UMG launched its worldwide goodwill program benefiting certain legacy recording artists and songwriters with unrecouped balances. Under the ongoing program, eligible creators and their immediate heirs who have not received any payments since January 1, 2000, will begin receiving royalties, subject to certain conditions.

Relatedly, UMG's Royalty Artist Assistance Program continues to assist our partners in need. The program offers featured artists in financial need with the ability to request advances on royalty payments during times of financial hardship. Additional Universal Music Group initiatives address artists' mental health and wellbeing. For example, recognising that the life of an artist can present unique challenges and stressors, UMUK created a bespoke program to provide artists with a confidential space to support their personal development, wellbeing, and mental health. In addition to confidential counselling services provided by an inhouse BACP-registered counsellor with over 20 years of experience in the music industry, the service includes referrals to other kinds of professional wellbeing services and assistance as needed. The program supports artists at all stages of their careers and provides a resource for staff working with an artist to flag potential concerns with a trained professional.

UMUK also hosted its second artist wellbeing and mental health seminar in May 2022 for artist managers at the offices in King's Cross, following an earlier event in 2018 at Abbey Road Studios.

In 2022, UMUK partnered with Help Musicians to launch the "Co-Pilot" program, a ground breaking musicians' mentoring network. The Co-Pilot initiative matches UMG employee mentors with musicians to share knowledge, skills, and expertise, with many of the mentorship relationships continuing beyond the program's culmination.

##### Employee engagement

The board understands that UMUK's staff are at the heart of everything we do as a business, and also the importance of an engaged and dynamic workforce to ensure we can respond to the changing musical landscape.

Mental health and well-being remain a key focus. UMUK provided targeted programming and resources to honour World Mental Health Day and Mental Health Awareness week, including therapist sessions focused on "Improving Connection and Belonging" as well as community meet-ups and art therapy classes.

Finally, to ensure all employees share in the success of the business, we have continued the policy of employees on lower salaries receiving larger percentage pay increases following the annual pay review.

##### Business relationships - suppliers and customers

The board considers that our relationship with all suppliers and customers is critical to the day to day running of our operations.

Our accounts payable team continues to work closely with suppliers to ensure that the payment process runs smoothly, and for the 6 months ended 31 December 2022 our average time to pay invoices was 42 days.

# **VIRGIN RECORDS LIMITED**

## **STRATEGIC REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **SECTION 172 STATEMENT (continued)**

##### The community

The board believes that music can play a vital role in bringing people together, working for positive change within communities.

In 2020 Universal Music Group established its Task Force for Meaningful Change, an employee led group focussed on equality, justice and inclusion. Initiatives in 2022 in the UK included:

- Partnering with Generation Works to develop a unique opportunity for young musicians to access recording space and receive mentorship from music industry experts, including A&R, production, management, and digital marketing professionals.
- Production of a series of interactive workshops to showcase classical instruments and repertoire from marginalized Black classical composers, performed by Black and ethnically diverse musicians from Decus Ensemble. The workshops were conducted in partnership with Live Music Now in six London primary schools with high percentages of pupils from minority ethnic backgrounds with limited or no classical music tuition.

UMUK supports the Universal Music UK Sound Foundation (UMUKSF), an independently funded charity that focuses on lifting up the next generation of talent across the region. UMUK also maintains its partnership with East London Arts & Music (ELAM), the free school for 16-19-year-olds founded in 2014, which involves providing curriculum advice and work experience to trainees

Likewise, we continue to support The BRIT Trust - the music industry charity that promotes education and wellbeing through music, such as The BRIT School and Nordoff Robbins music therapy.

In April 2022, over 100 guests from the music industry, government, academia and the health and social care sectors came together at UMUK's offices for the launch of the Power Of Music. This is a new study, supported by UMUK, from Music for Dementia/UK Music which outlines a blueprint for using music to help improve the nation's health, particularly for those living with dementia.

##### The environment

In 2017 UMUK moved into its current headquarters at 4 Pancras Square certified as 'Outstanding' by BREEAM, reflecting the board's desire to make the business as environmentally friendly as possible. The location of the office means that virtually all staff now come to work on public transport. We provide facilities with secure parking for 186 bikes, showers and a towel service. 2022 operations at this location and at Abbey Road Studios were powered by 100% renewable electricity.

Furthermore, the staff cafe promotes a low carbon diet by offering daily vegetarian and vegan dishes and a Meat Free Monday. Food waste is actively managed and food provenance schemes, such as MSC seafood, are adhered to when sourcing ingredients. UMG signed the Music Climate Pact in 2021, with high level commitments to change, including signing up to the Science Based Targets initiative.

UMUK has been an active board member and financial supporter of Julie's Bicycle, the environmental non-for-profit organisation that supports the creative sector, since its inception in 2007. We achieved a 4\* certification from their Creative Green accreditation scheme for 2021.

Our staff sustainability forum, Team Green, was established in 2007 and has board level support. It works on numerous initiatives throughout the year, including those mentioned above. This also included celebrating Earth Month which featured sessions on sustainable merchandise and UMG's response to the climate crisis.

# VIRGIN RECORDS LIMITED

## STRATEGIC REPORT (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### SECTION 172 STATEMENT (continued)

##### Maintaining a reputation for high standards of business conduct

The company has a code of conduct, on which all employees are certified annually, to encourage ethical behaviour as well as to highlight possible ethical threats which could be faced by employees.

The company maintains high standards of expected conduct for its employees and has clearly defined procedures for its employees to report any concerns internally. This incorporates anti-bribery training, commercial sensitivity and appropriate workplace conduct.

The directors are acutely aware of the high-profile nature of the Universal Music brand and make every effort to both protect this reputation and live up to its standards.

#### ENERGY & CARBON REPORTING STATEMENT

This section of our strategic report discloses our operational energy and carbon footprint in line with the UK government's Streamlined Energy and Carbon Reporting ('SECR') initiative.

In 2022 the company had a carbon footprint of 249 tCO<sub>2</sub>e using location-based approach. This is up 4% from 240 tCO<sub>2</sub>e in 2021. The increased carbon footprint is mostly due to an increase in use of natural gas from 2021 to 2022, offset with a reduction in use of rental and personal cars.

##### *Methodology*

To comply with SECR, the company has reported on all emission sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Our emissions have been calculated in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). Both location-based and market-based emissions have been calculated using emission factors from the Department of Business, Energy & Industrial Strategy (Greenhouse gas reporting: conversion factors for 2021 and 2022 respectively for location-based) and supplier-specific fuel mixes for market-based.

In line with SECR requirements, the emissions reported are the same as those which would be reported based on a financial control boundary. The company's Scope 2 emissions relate in part to the office at 4 Pancras Square, where the company is based alongside other Universal Music UK companies. They have been calculated by allocating the total emissions of the site based on the square footage occupied by the company. The remainder of the scope 2 emissions relate to the Abbey Road Studios location.

In 2022 the company has been able to calculate the Scope 2 emissions generated from its use of Steam. As a result, the 2021 comparative figures have been amended to include these emissions within Tables 2, 4, 5 and 6.

##### *UK Annual Energy and Carbon*

Table 1 shows the company's Scope 1 emissions, including consumption of fuel by fleet or company cars, or fugitive emissions from refrigerants. The 4 Pancras Square site does not have natural gas, or liquid fuels from generators and equipment.

Scope 1	Natural Gas		Refrigerants	
	kWh	tCO <sub>2</sub> e	kg	tCO <sub>2</sub> e
2021	50,504.19	9.25	N/A	-
2022	108,599.07	19.82	18.50	23.09

Table 1: Scope 1 Emissions

# VIRGIN RECORDS LIMITED

## STRATEGIC REPORT (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### ENERGY & CARBON REPORTING STATEMENT (continued)

##### UK Annual Energy and Carbon (continued)

Table 2 shows our Scope 2 emissions, based on electricity consumed.

Scope 2	Electricity kWh	tCO <sub>2</sub> e (location)	tCO <sub>2</sub> e (market)	Steam kWh	tCO <sub>2</sub> e (location)	tCO <sub>2</sub> e (market)
2021	1,200,390.58	232.76	-	39,886.52	6.81	6.81
2022	1,095,514.72	218.65	6.80	39,827.77	6.80	6.80

Table 2: Scope 2 Emissions

Table 3 shows our Scope 3 emissions, being energy consumed through use of rental or personal cars.

Scope 3	Transport - Diesel		Transport - Petrol	
	kWh	tCO <sub>2</sub> e	kWh	tCO <sub>2</sub> e
2021	773.39	0.18	1,261.16	0.29
2022	409.27	0.10	433.54	0.10

Table 3: Scope 3 Emissions

A summary of all the emissions reported in line with our SECR disclosure is shown in Table 4.

Scopes	Scope 1	Scope 2 (location)	Scope 2 (market)	Scope 3	Total (location)	Total (market)
2021	-	239.57	6.81	0.47	240.04	7.28
2022	23.09	225.45	13.60	0.20	248.73	36.88

Table 4: Total carbon emissions

A summary of all the kWh energy reported in line with our SECR disclosure is shown in Table 5.

kWh	Scope 1	Scope 2	Scope 3	Total
2021	50,504.19	1,240,277.10	2,034.55	1,292,815.84
2022	108,599.07	1,135,342.49	842.81	1,244,784.37

Table 5: Total kWh energy

Table 6 contains our chosen intensity ratios of tonnes of carbon dioxide equivalent per square foot.

Intensities	Location-based	Market-based
	tCO <sub>2</sub> e /sqft	tCO <sub>2</sub> e /sqft
2021	0.0033	0.0001
2022	0.0034	0.0005

Table 6: Intensity ratio (tCO<sub>2</sub>e/sqft) 6: Intensity ratio (tCO<sub>2</sub>e/sqft)



# **VIRGIN RECORDS LIMITED**

## **STRATEGIC REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **ENERGY & CARBON REPORTING STATEMENT (continued)**

##### ***Energy efficiency actions***

The company is part of the wider Universal Music Group, which through its Environment, Social, and Governance program is focused on climate and related environmental issues, including the accurate measurement and reporting of company-related greenhouse gas emissions.

At a local level, the company makes a conscious effort to incorporate energy efficiency measures wherever possible into its decision-making processes. In 2017 Universal Music UK moved into 4 Pancras Square, an energy-efficient building, which is scored as a BREEAM Outstanding. Below are some of the features which provide significant energy savings:

- In 2021 the Kings Cross Estate declared itself carbon neutral, including the embodied carbon from construction.
- The on-site energy centre, previously powered by fossil fuel, is now powered by gas from an Anaerobic Digestion plant in Scotland which has much lower associated carbon emissions.
- Building Management System optimised for efficiencies.
- Electricity at the site is sourced from a green tariff.
- LED lights, some motion censored.
- Site orientation, solar shading, and use of thermal mass for cooling and passive ventilation;
- Water-saving and recycling technologies;
- Heating and cooling pumps which circulate heated/cooled air, varying their speed and volume supplied based on demand;
- Water meters to record the amount of water used in each area and identify water savings where possible;
- Toilets fitted with dual flush mechanisms to limit the amount of water wasted when flushing; and
- Basin taps with air mixed with water to minimise water use.

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company uses a variety of financial instruments including cash, equity and other instruments such as artist advances, intercompany receivables and trade/intercompany 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, liquidity risk and credit 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 external borrowings and as such the directors consider the interest rate risk to be minimal at this stage.

##### ***Liquidity risk***

The company does not hold any bank accounts, and liquidity is managed via intercompany loans and through the cash management policy of its ultimate parent company, Universal Music Group N.V.. Financial risk is managed 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.

##### ***Credit risk***

The principal credit risk arises from trade debtors. Management approve credit terms for all new customers, and regularly review the credit position of existing accounts.

# **VIRGIN RECORDS LIMITED**

## **STRATEGIC REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **PRINCIPAL RISKS AND UNCERTAINTIES**

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

- the continuing trend of declining physical retail sales;
  - competition from alternative entertainment products;
  - the threat of a devalued product due to piracy and the illegal use of music; and
- uncertainty as to whether the growth in subscription services will continue in the longer term.

All risks and uncertainties are regularly monitored by the directors, including the following:

#### ***Climate change***

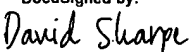
Whilst the company is not considered to be part of a heavy emitting industry, the directors recognise the importance of reducing its impacts and moving towards being a zero carbon operation.

Initiatives the company is involved in are disclosed within the section 172 statement in the Strategic Report.

#### **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.

This report was approved by the Board and signed on their behalf.

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DRJ Sharpe  
Director

Date: 18 May 2023

# **VIRGIN RECORDS LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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The directors present their report, together with the financial statements and the auditor's report of the company for the year ended 31 December 2022.

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;
- Energy & Carbon Reporting Statement;
- S172 Reporting Statement;
- Financial risk management objectives and policies; and
- Future developments.

#### **DIRECTORS**

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

AM Barker  
BJ Muir  
DRJ Sharpe

#### **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. Universal Music Group N.V., 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, in relation to the company and its subsidiary undertakings.

#### **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:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Charitable donations	-	25
	-	25

# **VIRGIN RECORDS LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **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.

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

# **VIRGIN RECORDS LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **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. Additionally, the company has received confirmation from Universal Music Group N.V., the company's ultimate parent undertaking, of its intention to provide financial and other support to the extent necessary to enable the company to continue to pay its liabilities as and when they become due for a period not less than one year from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

This report was approved by the Board and signed on their behalf.

DocuSigned by:

*Bola Abioye*

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A Abioye

Company Secretary

Date: 18 May 2023

Company Registration Number: 01070953

# **VIRGIN RECORDS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN RECORDS LIMITED FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

In our opinion the financial statements of Virgin Records Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of accounting policies; 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 Financial Reporting Council's (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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- review of forecast for a period of 12 months from signing date;
- identification and challenge of key assumptions used in the forecasts;
- assessment of headroom in the forecasts (cash);
- sensitivity analysis
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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**VIRGIN RECORDS LIMITED****INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN RECORDS LIMITED  
(continued)****FOR THE YEAR ENDED 31 DECEMBER 2022**

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**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

**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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities) This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

## **VIRGIN RECORDS LIMITED**

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

#### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included Companies Act 2006, UK tax legislation, Companies, Partnerships and Group Regulations 2015, UK GAAP as issued by the Financial Reporting Council; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included UK Bribery Act, Data Protection Regulation, Money Laundering and Proceeds of Crime Act, Copyright Designs and Patents Act.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Risk of fraud in relation to revenue as a result of manual top-side adjustments. To address this risk we performed direct testing over manual journal entries to revenue, agreeing to supporting evidence, corroborating business rationale and compliance with accounting standards.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

#### **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.



## **VIRGIN RECORDS LIMITED**

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

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **Matters on which we are required to report by exception**

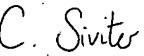
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

#### **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.

DocuSigned by:  
  
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Claire Siviter, FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Statutory Auditor, Reading, United Kingdom

Date: 18 May 2023

Company Registration Number: 01070953

**VIRGIN RECORDS LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £'000	2021 £'000
<b>TURNOVER</b>	<b>4</b>	<b>72,077</b>	<b>65,973</b>
Cost of sales		(26,243)	(25,270)
<b>GROSS PROFIT</b>		<b>45,834</b>	<b>40,703</b>
Distribution costs		(1,610)	(1,630)
Administrative expenses		(18,644)	(16,943)
Other operating income		60	-
<b>OPERATING PROFIT</b>	<b>5</b>	<b>25,640</b>	<b>22,130</b>
Interest receivable and similar income	<b>8</b>	<b>23,638</b>	<b>2,744</b>
Interest payable and similar charges	<b>9</b>	<b>(12,036)</b>	<b>(5,629)</b>
<b>PROFIT BEFORE TAXATION</b>		<b>37,242</b>	<b>19,245</b>
Tax on profit	<b>10</b>	<b>(7,362)</b>	<b>(1,525)</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>29,880</b>	<b>17,720</b>
Total other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>29,880</b>	<b>17,720</b>

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

**The notes on pages 19 to 31 form part of these financial statements**

**VIRGIN RECORDS LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £'000	2021 £'000
<b>FIXED ASSETS</b>			
Intangible assets	11	-	1,785
Property, plant & equipment	12	6,524	6,099
Investments	13	1,515	1,515
		<u>8,039</u>	<u>9,399</u>
<b>CURRENT ASSETS</b>			
Inventories	14	330	271
Debtors: Amounts falling due within one year	15	1,119,141	1,084,789
Cash at bank		171	114
		<u>1,119,642</u>	<u>1,085,173</u>
<b>CREDITORS: Amounts falling due within one year</b>	16	<u>(51,302)</u>	<u>(48,159)</u>
<b>NET CURRENT ASSETS</b>		<u>1,068,340</u>	<u>1,037,013</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,076,379</u>	<u>1,046,411</u>
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	17	(357)	(88)
Provisions for liabilities and charges	18	(621)	(802)
<b>NET ASSETS</b>		<u>1,075,401</u>	<u>1,045,521</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	20	897,390	897,390
Share premium account		45,144	45,144
Profit and loss account		132,867	102,987
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>1,075,401</u>	<u>1,045,521</u>

These financial statements were approved by the board of directors and authorised for issue on 18 May 2023 and are signed on their behalf by:

DocuSigned by:

David Sharpe

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DRJ Sharpe  
Director

Company Registration Number: 01070953

The notes on pages 19 to 31 form part of these financial statements

**VIRGIN RECORDS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>Called-up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Profit &amp; loss account £'000</b>	<b>Total shareholders' funds £'000</b>
Balance brought forward 1 January 2021	897,390	45,144	85,266	1,027,800
<b>Total comprehensive income</b>				
Profit for the financial year	-	-	17,720	17,720
Balance brought forward 1 January 2022	897,390	45,144	102,987	1,045,521
<b>Total comprehensive income</b>				
Profit for the financial year	-	-	29,880	29,880
<b>Balance carried forward at 31 December 2022</b>	<b>897,390</b>	<b>45,144</b>	<b>132,867</b>	<b>1,075,401</b>

The notes on pages 19 to 31 form part of these financial statements

# **VIRGIN RECORDS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **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 4 Pancras Square, London, United Kingdom, N1C 4AG.

The principal activities of the company and the nature of its operations are set out in the strategic report on pages 2 to 8.

#### **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 subsidiary 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 companies;
- 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, Universal Music Group N.V., copies of which can be obtained from Universal Music Group, 's-Gravelandseweg 80, 1217 EW Hilversum, The Netherlands.

##### **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 401 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)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 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 when products are despatched, at which point 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 services rendered is recognised once the services have been performed. Royalties payable are charged to cost of sale in the same period as the relevant income.

##### 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 groups of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

##### Other intangible assets

Expenditure on internally generated goodwill and brands is expensed as it is incurred. Other intangible assets, which include catalogue 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 & 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:

Freehold land & buildings	2% straight line on buildings. Land is not depreciated.
Leasehold improvements	5% straight line
Plant & machinery	10% - 33.33% straight line

Leasehold properties have been fully depreciated. 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)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **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**

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.

#### **Advances**

Advances to unproven artists, where no discernible track record of activity is evidenced, are expensed. Advances to proven artists are written down to the estimated amount that will be recoverable from future royalty payments to the artist. Net advances are classified as falling due within one year, although elements may not be recovered until more than one year.

# **VIRGIN RECORDS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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

##### **Inventories**

Inventories are valued at the lower of cost based on purchase invoice, 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.

##### **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.

##### **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable the company will have to settle 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 relate to balances due from and to group undertakings, and are recognised in profit or loss in the statement of comprehensive income as they accrue.



**VIRGIN RECORDS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022**

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**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 the 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. Foreign exchange differences arising on translation are recognised through profit or loss in the statement of 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.

**Critical judgements in applying the company's accounting policies**

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

# VIRGIN RECORDS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 3. ACCOUNTING POLICIES (continued)

##### Critical accounting judgements and key sources of estimation uncertainty (continued)

###### 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 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 and Tangible 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. The gross carrying value of artist advances as at 31 December 2022 is £227,855,000 (2021: £229,928,000).

#### 4. TURNOVER

##### Turnover by activity is as follows:

	2022 £'000	2021 £'000
Product Sales	31,022	30,027
Royalties	41,055	35,946
	<u>72,077</u>	<u>65,973</u>

##### Turnover by destination is as follows:

	2022 £'000	2021 £'000
United Kingdom	45,564	45,123
Rest of Europe	9,778	8,861
United States of America	11,636	8,245
Rest of World	5,099	3,744
	<u>72,077</u>	<u>65,973</u>

**VIRGIN RECORDS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****5. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	2022 £'000	2021 £'000
Amortisation of intangible assets	1,785	1,783
Depreciation of owned fixed assets	1,134	967
Cost of inventories recognised as an expense	1,468	1,405
Impairment of inventories	185	120
Net (gain)/loss on foreign currency translation	(48)	37

**6. AUDITOR'S REMUNERATION**

The auditor's remuneration for the year ended 31 December 2022 was £17,000 (2021: £16,000) and was borne by Universal Music Operations Limited in both years, with no recharge made to the company.

**7. PARTICULARS OF EMPLOYEES**

The company had no employees during the year ended 31 December 2022 (2021: none). Payroll costs amounting to £6,660,000 (2021: £8,329,000) were recharged to the company by a fellow group undertaking, Universal Music Holdings Limited.

Emoluments for the directors of the company are paid for by Universal Music Operations Limited. The fellow group company has not recharged any amount to the company (2021: £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**

	2022 £'000	2021 £'000
Interest receivable from group undertakings	23,638	2,744

**9. INTEREST PAYABLE AND SIMILAR CHARGES**

	2022 £'000	2021 £'000
Interest payable to group undertakings	12,036	5,629

**VIRGIN RECORDS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****10. TAX ON PROFIT****(a) Analysis of tax charge in the year**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
Adjustments in respect of previous years	(55)	(2,449)
Group relief payable for losses claimed from other group undertakings	7,147	4,093
<b>Total current tax</b>	<b>7,092</b>	<b>1,644</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	217	(119)
Adjustments in respect of previous years	53	-
<b>Total deferred tax</b>	<b>270</b>	<b>(119)</b>
<b>Tax on profit</b>	<b>7,362</b>	<b>1,525</b>

**(b) Factors affecting tax charge**

The tax assessed on the profit for the year is higher than (2021: lower than) the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%).

Under the Finance Act 2021, the main rate of corporation tax was increased from 19% to 25% with effect from 1 April 2023. This change was substantively enacted for IFRS and UK GAAP purposes on 24 May 2021. Deferred tax assets and liabilities are measured at the rate that is enacted and expected to apply to the accounting period when the asset is realised or the liability is settled, based on the above rates.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit before taxation</b>	<b>37,242</b>	<b>19,245</b>
<b>Profit at the standard rate of UK Corporation tax of 19.00% (2021: 19.00%)</b>	<b>7,076</b>	<b>3,657</b>
Expenses not deductible for tax purposes	258	296
Adjustments in respect of previous periods	(2)	(2,449)
Impact of statutory rate change	52	21
Movement in timing differences	(22)	-
<b>Current tax charge for the financial year</b>	<b>7,362</b>	<b>1,525</b>

**VIRGIN RECORDS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****11. INTANGIBLE ASSETS**

	<b>Goodwill</b>	<b>Other intangibles</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>COST</b>			
At 1 January 2022	12,485	5,351	17,836
<b>At 31 December 2022</b>	<b>12,485</b>	<b>5,351</b>	<b>17,836</b>
<b>AMORTISATION</b>			
At 1 January 2022	11,244	4,807	16,051
Charge for the year	1,241	544	1,785
<b>At 31 December 2022</b>	<b>12,485</b>	<b>5,351</b>	<b>17,836</b>
<b>NET BOOK VALUE</b>			
At 31 December 2022	-	-	-
At 31 December 2021	1,241	544	1,785

**12. PROPERTY, PLANT & EQUIPMENT**

	<b>Freehold land &amp; buildings</b>	<b>Leasehold properties</b>	<b>Leasehold improve- ments</b>	<b>Plant &amp; machinery</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>COST</b>					
At 1 January 2022	1,517	569	921	20,768	23,755
Additions	-	-	-	1,566	1,566
Disposals	-	-	-	(12)	(12)
<b>At 31 December 2022</b>	<b>1,517</b>	<b>569</b>	<b>921</b>	<b>22,322</b>	<b>25,329</b>
<b>DEPRECIATION</b>					
At 1 January 2022	668	569	322	16,117	17,676
Charge for the year	34	-	46	1,054	1,134
Disposals	-	-	-	(5)	(5)
<b>At 31 December 2022</b>	<b>702</b>	<b>569</b>	<b>368</b>	<b>17,166</b>	<b>18,805</b>
<b>NET BOOK VALUE</b>					
At 31 December 2022	815	-	552	5,157	6,524
At 31 December 2021	849	-	599	4,651	6,099

**VIRGIN RECORDS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****13. INVESTMENTS**

	Shares in subsidiaries £'000	Other investments £'000	Total £'000
<b>COST</b>			
At 1 January 2022	835,575	1,515	837,090
Additions	-	-	-
<b>At 31 December 2022</b>	<b>835,575</b>	<b>1,515</b>	<b>837,090</b>
<b>PROVISION FOR IMPAIRMENT</b>			
At 1 January 2022	835,575	-	835,575
<b>At 31 December 2022</b>	<b>835,575</b>	<b>-</b>	<b>835,575</b>
<b>NET BOOK VALUE</b>			
At 31 December 2022	-	1,515	1,515
At 31 December 2021	-	1,515	1,515

**Subsidiary undertakings**

The principal subsidiaries of the company, all incorporated in England and Wales as at 31 December 2022 were as follows:

Name	Ordinary share holding	Nature of business
Sacred Heart Records Limited	100%	Dormant company
EMI UK Holdings	100%	Dormant company
Mawlaw 388 Limited	100%	Dormant company
EMI Limited	100%	Dormant company
Jaydone Limited	100%	Dormant company
Relentless 2006 Limited	100%	Marketing and distribution of recorded music
EMI Group Electronics Limited*	100%	Finance and holding company
Universal Music Direct Limited	100%	Sale and distribution of music and merchandise

All of the subsidiaries have a registered office address of 4 Pancras Square, London, N1C 4AG. They are all directly owned, except for those marked with an asterisk, which are owned by another directly owned subsidiary.

The company is exempt from disclosure of the aggregate amount of capital and reserves, and profit or loss for each subsidiary undertaking by virtue of section 401 of the Companies Act 2006.

**VIRGIN RECORDS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****14. INVENTORIES**

	2022 £'000	2021 £'000
Finished goods	330	271

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

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

	2022 £'000	2021 £'000
Amounts due from group undertakings	1,112,726	1,079,092
VAT recoverable	5	25
Other debtors	1,494	1,522
Prepayments and accrued income	4,916	4,150
	<u>1,119,141</u>	<u>1,084,789</u>

Within amounts due from group undertakings, £962,109,000 (2021: £954,866,000) is due from parent companies, £2,581,000 (2021: £2,581,000) is due from subsidiary companies and £148,036,000 (2021: £121,645,000) is due from other group companies.

At 31 December 2022 and 31 December 2021, all debtors are measured at amortised cost.

All amounts due from fellow group undertakings are classified as current as they are repayable on demand. They are unsecured and interest rates are linked to SONIA from 1 January 2022. Interest rates were linked to LIBOR prior to 1 January 2022.

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

	2022 £'000	2021 £'000
Trade creditors	13,120	12,536
Amounts owed to group undertakings	35,452	33,496
Other taxation and social security	35	35
Accruals and deferred income	2,695	2,092
	<u>51,302</u>	<u>48,159</u>

Within amounts owed to group undertakings, £35,452,000 (2021: £33,496,000) is owed to other group companies.

All amounts owed to fellow group undertakings are classified as current as they are repayable on demand. The interest rates are linked to SONIA from 1 January 2022. Interest rates were linked to LIBOR prior to 1 January 2022.

At 31 December 2022 and 31 December 2021, all creditors are measured at amortised cost and no security has been provided against the balances.

**VIRGIN RECORDS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022****17. DEFERRED TAXATION**

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

	2022 £'000	2021 £'000
Balance brought forward	(88)	(207)
Deferred taxation on ordinary activities account movement arising during the year	(217)	119
Prior year adjustment	(52)	-
	<u>(357)</u>	<u>(88)</u>
Balance carried forward	<u>(357)</u>	<u>(88)</u>

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

	2022 £'000	2021 £'000
Excess of depreciation over taxation allowances	196	197
Other timing differences	(553)	(285)
	<u>(357)</u>	<u>(88)</u>

**18. PROVISIONS FOR LIABILITIES AND CHARGES**

	Artist royalties £'000
At 1 January 2022	802
Additions	99
Write off to profit and loss account	(280)
	<u>621</u>
At 31 December 2022	<u>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.

**19. ARTIST ADVANCE COMMITMENTS**

At 31 December 2022 the company had contractual commitments in respect of artist advances of £113,000 (2021: £482,000), of which £113,000 (2021: £377,000) relate to the next financial year.



**VIRGIN RECORDS LIMITED****NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 DECEMBER 2022****20. CALLED-UP SHARE CAPITAL**

Allotted, called up and fully paid:

	2022 No	£'000	2021 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 & loss account***

The profit and loss account 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 Universal Music Group N.V. a company incorporated and domiciled in the Netherlands.

The smallest and largest group in which the result of the company is consolidated is that headed by Universal Music Group N.V.. Copies of its annual report in English may be obtained from its registered office at:

Universal Music Group  
's-Gravelandseweg 80  
1217 EW Hilversum  
The Netherlands