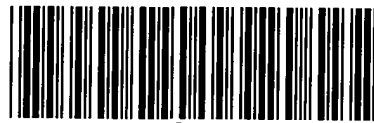


**Conexion Music Limited**

**Company No. 01356293**

**Financial Statements  
For the year ended  
31 December 2014**

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# **CONEXION MUSIC LIMITED**

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**CONEXION MUSIC LIMITED**  
**Company Information**

**Director**  
Justin Sherry

**Secretary**  
Frank McAweeney

**Registered Office**  
10 Heathfield Terrace  
London  
W4 4JE

**Auditors**  
Welbeck Associates Ltd.  
30 Percy Street  
London  
W1T 2DB

**CONEXION MUSIC LIMITED**  
**Report of the Director**  
**For the year ended 31st December 2014**

The Director presents the report and financial statements for the year ended 31<sup>st</sup> December 2014.

**Principal Activities**

The principal activities of the Company throughout the year were that of music copyright investment and administration.

**Review of the Business and Future Developments**

Income of £923,586 was lower than 2013 (£955,442). Gross profit for the year was £490,120 (2013: £716,833). Operating costs were £778,264 (2013: £943,656) resulting in an operating loss before amortisation of £288,144 (2013: £226,823). The loss for the year was £316,282 (2013: £239,591).

**Risk Management**

The main risk to the Company is the decline in the sales of recorded music. However, music publishers are shielded from this, more than record companies, as the majority of their income is derived from performance royalties. Another potential risk to the Company is the loss of clients. This can happen when an agreement has reached the end of its term and is not renewed. This risk is mitigated as the Company signs agreements with new clients each year. The Company's operating costs are stable and the Director does not foresee a significant rise in costs, unless it is related to an increase in income.

**Directors**

The following Director has held office since 1<sup>st</sup> January 2014:

Justin Sherry

**Auditors**

A resolution proposing that Welbeck Associates Ltd. be re-appointed auditors of the Company will be put to the Annual General Meeting.

**Statement of Director's Responsibilities**

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing those financial statements, the Director is required to:

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

The Director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

**Statement of disclosures to auditors**

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

On behalf of the board

  
Justin Sherry  
Director

12<sup>th</sup> September 2015

**Independent Auditors' Report to the Members of Conexion Music Limited**

We have audited the financial statements of Conexion Music Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Company and Company's members as a body, for our work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Basis for qualified opinion on financial statements**

The audit evidence available to us was limited because the Directors of the parent company, upon which this company is reliant for financial support, have prepared cash flow forecasts and other information needed for the assessment of the appropriateness of the going concern basis of preparation of the financial statements of the group, including this company, for a period of 12 months from the date of approval of these financial statements which do not take into account the fact that the loan to the parent company of £975,000 from Polymer Holdings Limited is repayable on demand, being a period of not less than 90 working days. Whilst Polymer have confirmed that it is not currently their intention to call in the loan, an unconditional deferral of this loan to 30<sup>th</sup> June 2016 has not been received. We therefore consider that the Directors have not taken adequate steps to satisfy themselves that it is appropriate for them to adopt the going concern basis because the circumstances of the Group and the nature of the business require that such information be prepared, and reviewed, by the Directors and ourselves which includes the financial commitments of the group which are not able to be unconditionally deferred. Had this information been available to us we might have formed a different opinion on the financial statements.

**Qualified opinion on the financial statements**

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph;

- The financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- The financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006;

**Opinion on other matters prescribed by the Companies Act 2006**

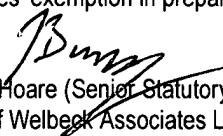
In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

In respect solely of the limitation on our work relating to the assessment of the appropriateness of the going concern basis of preparation of the financial statements, described above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

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; or
- the Director is 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 preparing a Strategic Report.

  
Jonathan Bradley-Hoare (Senior Statutory Auditor)  
for and on behalf of Welbeck Associates Ltd  
30 Percy Street  
London, W1T 2DB  
12<sup>th</sup> September 2015

CONEXION MUSIC LIMITED

**Profit and Loss Account**  
For the year ended 31<sup>st</sup> December 2014

	Note	2014 £	2013 £
Turnover	2	923,586	955,422
Cost of Sales		(433,466)	(238,609)
<b>Gross Profit</b>		<b>490,120</b>	<b>716,833</b>
Operating costs		(778,264)	(943,656)
<b>Operating Loss before amortisation</b>		<b>(288,144)</b>	<b>(226,823)</b>
Amortisation		(27,483)	(27,847)
Loss on disposal of Intangible Fixed Asset		-	(38,979)
<b>Operating Loss</b>		<b>(315,627)</b>	<b>(293,649)</b>
Other interest receivable and similar income		90	58
Interest payable and similar charges		(745)	-
<b>Loss on Ordinary Activities before taxation</b>		<b>(316,282)</b>	<b>(293,591)</b>
Tax on loss on ordinary activities	4	-	-
<b>Loss for the year</b>	11	<b>(316,282)</b>	<b>(293,591)</b>

The Profit and Loss Account has been prepared on the basis that all operations are continuing operations.  
There are no recognised gains and losses other than those passing through the Profit and Loss Account.

**CONEXION MUSIC LIMITED**

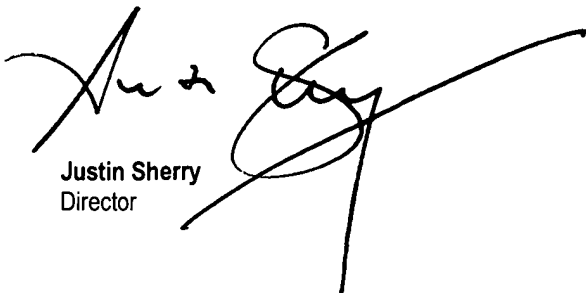
**Balance Sheet**

As at 31<sup>st</sup> December 2014

	Note	2014 £	2013 £
<b>Fixed Assets</b>			
Intangible assets	5	1,581,152	1,608,635
Investments	6	-	-
		<u>1,581,152</u>	<u>1,608,635</u>
<b>Current assets</b>			
Debtors	7	330,235	727,975
Cash at bank and in hand		21,098	34,209
		<u>351,332</u>	<u>762,184</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(7,574,294)</u>	<u>(7,696,347)</u>
<b>Net current liabilities</b>		<u>(7,222,962)</u>	<u>(6,934,163)</u>
<b>Total assets less current liabilities</b>		<u>(5,641,810)</u>	<u>(5,325,528)</u>
<b>Capital and Reserves</b>			
Called up share capital	9	150,000	150,000
Share premium account	10	250,000	250,000
Profit and Loss account	10	(6,041,810)	(5,725,528)
<b>Shareholders' Funds</b>	11	<u>(5,641,810)</u>	<u>(5,325,528)</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

Approved by the board and authorised for issue on 12<sup>th</sup> September 2015.



**Justin Sherry**  
Director

Company Number: 01356293

# CONEXION MUSIC LIMITED

## Notes to the Financial Statements For the year ended 31<sup>st</sup> December 2014

### 1. Accounting Policies

#### (a) Accounting Convention

The financial statements have been prepared under historical cost convention.

The Company has taken advantage of the exemption in Financial Reporting Standard Number 1 (revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90% or more of the voting rights are controlled by the group and consolidated financial statements, which include the Company, are publicly available.

#### (b) Going Concern

The Director considers that it is appropriate to prepare the financial statements on a going concern basis because:

The Directors of the parent company have prepared cash flow forecasts to 31<sup>st</sup> December 2015 and believe that the Group will be able to continue to meet its working capital requirements as they fall due for a period at least up to this date. Income has been forecast on the basis of prior year income adjusted for trading developments. Costs have been forecast on the basis of the current operation costs.

The loan from Polymer Holdings Limited, a shareholder of the Group, of £975,000 is repayable on written demand of the Lender, being a period of not less than 90 business days. The Directors have received written assurance from Polymer Holdings Limited that it is not Polymer's intention to call in the loan before any new refinancing arrangements are in place. Whilst an unconditional deferral of the loan to at least 30<sup>th</sup> June 2016 has been received, the Directors do not believe that Polymer will call in the loan before that date unless suitable alternative financial arrangements are in place.

#### (c) Compliance with Accounting Standards

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practices), which have been applied consistently.

#### (d) Turnover and Income Recognition

Royalty income is accounted for on a receipts basis and is net of VAT.

Advances received are recognised as revenue in the period to which the royalty income relates. Provision is therefore made for royalties payable on advances received only to the extent that the advances have been recouped.

Advances paid are provided for unless it is considered that they will be recouped from future earnings.

#### (e) Investment in Music Rights

Purchased music catalogues are capitalised at cost as intangible fixed assets. Owned catalogues are taken to have a useful life of 70 years in line with United Kingdom copyright law. Music catalogues are amortised by equal annual amounts over their expected useful life as follows:

Owned catalogues	70 years
Administered catalogues	10 years

#### (f) Fixed Asset Investments

Fixed asset investments are stated at historical cost less any provision for diminution in value.

#### (g) Deferred Taxation

In accordance with FRS 19, deferred tax is recognised as a liability or asset if transactions or events that give the Company the obligation to pay more tax in future have occurred by the balance sheet date.

#### (h) Group Accounts

The financial statements present information about the Company as an individual undertaking and not about its Group. The Company has not prepared group accounts as it is exempt from the requirements to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking for Conexion Media Group Plc, a company incorporated in England and Wales, and is included in the consolidated accounts of that company.

#### (i) Management Charge

In accordance with previous years, a recharge has been made to reflect the overhead incurred by the parent company, Conexion Media Group Plc, on behalf of Conexion Music Limited.

#### (j) Foreign Currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange at the date of the transactions. Assets and liabilities are translated into sterling at rates of exchange at the end of the financial year.

**CONEXION MUSIC LIMITED**

**Notes to the Financial Statements (continued)**  
For the year ended 31<sup>st</sup> December 2014

**2 Turnover**

The total turnover of the Company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

**3 Operating Loss**

	2014 £	2013 £
The operating loss is stated after charging:		
Auditors' remuneration (paid by Conexion Media Group Plc)	-	-
Director's remuneration	-	-
Amortisation of intangible fixed assets	27,483	27,847
Impairment	-	-
	<hr/>	<hr/>

**4 Taxation**

	2014 £	2013 £
Current Tax Charge	<hr/> -	<hr/> -

	2014 £	2013 £
Factors affecting the tax charge for the year.		
Loss on ordinary activities before taxation	<hr/> (316,282)	<hr/> (293,591)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	(68,001)	(68,260)
<i>Effects of:</i>	48,301	47,134
Tax losses carried forward to a future period	19,700	21,126
Other tax adjustments		
Current tax charge for the year	<hr/> - <hr/>	<hr/> - <hr/>

No deferred tax asset has been recognised in respect of these tax losses due to the uncertainty over their future use.

CONEXION MUSIC LIMITED

Notes to the Financial Statements (continued)  
For the year ended 31<sup>st</sup> December 2014

5 Intangible Fixed Assets

	Investment in Music Rights		
	Administered	Purchased	Total
	£	£	£
<b>Cost</b>			
At 1 <sup>st</sup> January 2014	40,121	2,168,748	2,208,869
Additions	-	-	-
Disposals	-	-	-
At 31 <sup>st</sup> December 2014	<u>40,121</u>	<u>2,168,748</u>	<u>2,208,869</u>
<b>Amortisation</b>			
At 1 <sup>st</sup> January 2014	26,867	360,113	386,980
Charge for the year	-	27,483	27,483
Disposals	-	-	-
At 31 <sup>st</sup> December 2014	<u>26,867</u>	<u>387,596</u>	<u>414,463</u>
<b>Impairment</b>			
At 1 <sup>st</sup> January 2014	13,254	200,000	213,254
Charge for the year	-	-	-
At 31 <sup>st</sup> December 2014	<u>13,254</u>	<u>200,000</u>	<u>213,254</u>
<b>Net Book Value</b>			
At 31 <sup>st</sup> December 2014	<u>-</u>	<u>1,581,152</u>	<u>1,581,152</u>
At 31 <sup>st</sup> December 2013	<u>-</u>	<u>1,608,635</u>	<u>1,608,635</u>

6 Fixed Asset Investments

	Shares in subsidiary £
<b>Cost</b>	
At 1 <sup>st</sup> January 2014	71,421
Additions	-
At 31 <sup>st</sup> December 2014	<u>71,421</u>
<b>Provision for diminution in value</b>	
At 1 <sup>st</sup> January 2014	71,421
Provision made in year	-
At 31 <sup>st</sup> December 2014	<u>71,421</u>
<b>Net Book Value</b>	
At 31 <sup>st</sup> December 2014	<u>-</u>
At 31 <sup>st</sup> December 2013	<u>-</u>

**CONEXION MUSIC LIMITED**

**Notes to the Financial Statements (continued)**  
For the year ended 31<sup>st</sup> December 2014

**7 Debtors**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Trade debtors	-	-
Amounts owed by parent and fellow subsidiary undertakings	324,159	323,572
Other debtors	6,076	6,093
Prepayments and accrued income	-	398,310
	<u><b>330,235</b></u>	<u><b>727,975</b></u>

**8 Creditors: amounts falling due within one year**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Trade creditors	24,044	20,139
Amounts owed to parent and fellow subsidiary undertakings	4,885,429	4,584,853
Taxes and social security	9,746	9,807
Other creditors	2,655,075	3,081,548
	<u><b>7,574,294</b></u>	<u><b>7,696,347</b></u>

**9 Share Capital**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Authorised, allotted, called up and fully paid		
150,000 Ordinary of £1 each	<u>150,000</u>	<u>150,000</u>

**10 Statement of Movements on Reserves**

	<b>Share Premium Account £</b>	<b>Profit and Loss Account £</b>
Balance at 1 <sup>st</sup> January 2014	250,000	(5,725,528)
Loss for the year	-	(316,282)
Balance at 31 <sup>st</sup> December 2014	<u>250,000</u>	<u>(6,041,810)</u>

**11 Reconciliation of Movements in Shareholders' Funds**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Loss for the year	(316,282)	(293,591)
Opening Shareholders' Funds	(5,325,528)	(5,031,937)
Closing Shareholders' Funds	<u>(5,641,810)</u>	<u>(5,325,528)</u>

## CONEXION MUSIC LIMITED

### Notes to the Financial Statements (continued)

For the year ended 31<sup>st</sup> December 2014

#### 12 Contingent Liabilities

The Company has a joint and several liability for VAT under a group registration scheme. The amount outstanding at the balance sheet date was £9,746 (2013: £9,807).

#### 13 Employees

There were no employees during the year apart from the Director.

#### 14 Control

The immediate and ultimate parent company is Conexion Media Group Plc, a company registered in England and Wales, by virtue of its 100% interest in the share capital of the Company. There is no single ultimate controlling party.

Conexion Media Group Plc prepares group financial statements and copies can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

#### 15 Related Party Transactions

The Company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements, which include the Company, are publicly available.

No Related Party Transactions occurred in the year.