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VIRGIN RECORDS LIMITED

ACCOUNTS

31 JANUARY 1982



VIRGIN RECORDS LIMITED

Annual Report and Statement of Accounts for the year ended
31 January 1962

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DIRECTORS

R C N Branson
J S Draper
K M Barry
A A Clark

SECRETARY

T N Baughen

REGISTERED OFFICE

2/4 Vernon Yard
119 Portobello Road
London. W.11.

AUDITORS

Train Scott
Chartered Accountants
1 Sandell Street
London. SE1 5UH

REPORT OF THE DIRECTORS

To be presented to the Members of the Company
at the Annual General Meeting

The directors submit their annual report and the audited accounts for the year ended 31 January 1982.

Results

	£
The Group trading profit for the year	1,420,115
Less: Taxation	613,049
Group profit after taxation	807,066
Balance brought forward	299,324
Balance carried forward	<u>£1,106,390</u>

Principal Activities

The group produces and distributes records and cassettes on the "Virgin" and "Dindisc" labels and collects royalties from the registration and licensing of songs.

Exports

The value of goods exported from the United Kingdom and income received from overseas amounted to £2,319,213. (1981 £2,564,000.)

Fixed Assets

No formal valuation has been made, but, in the opinion of the directors, the market value of the Group's leasehold properties substantially exceeds the book value.

Directors

The directors of the company during the year and their interest in the ordinary shares of the company and the holding company were as follows:-

	<u>31.1.82</u>	<u>2.2.81</u>	<u>Virgin Holdings Ltd</u> <u>31.1.82</u>	<u>2.2.81</u>
R C N Branson	-	-	90,000 (A shares)	6,000
N M Powell (resn 29.4.81)	-	-	-	4,000
J S Draper	20	20	-	-
K M Barry	-	-	-	-

A A Clark was appointed a director on 1 February 1982.

Auditors

Train Scott have indicated their willingness to continue in office.

By Order of the Board

F J BAUGHAN

Secretary

2 Vernon Yard
119 Portobello Road
London W11

9 June 1982

VIRGIN RECORDS LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF VIRGIN RECORDS LIMITED

We have examined the financial statements set out on pages 4 to 12 in accordance with approved auditing standards.

In our opinion, these financial statements give a true and fair view of the state of affairs of Virgin Records Limited and, so far as concerns members of that company, of the group at 31 January 1982 and of the profit and of the source and application of funds for the year ended on that date, and comply with the Companies Acts 1948 to 1981.

The financial statements do not contain the Current Cost Accounts required by Statement of Standard Accounting Practice 16.

1 Sandell Street
London SE1 8UH

10 June 1982



TRAIN SCOTT
Chartered Accountants

VIRGIN RECORDS LIMITED
and Subsidiary Companies
CONSOLIDATED BALANCE SHEET 31 JANUARY 1982

	Note	£	£	1981 £
Fixed Assets				
Loan to Holding Company	2		182,926	87,003
Loan to Fellow Subsidiary			6,966,671	1,605,392
Investment in Fellow Subsidiaries	6		103,877	-
			<u>163</u>	<u>163</u>
			7,253,637	1,692,558
Current Assets				
Artiste Advances	1	601,130		931,044
Stock	1	84,072		167,078
Debtors		1,903,843		809,237
Amounts due from Fellow Subsidiaries		234,049		328,017
Cash at Bank and in Hand		959		42,236
		<u>2,823,953</u>		<u>2,327,612</u>
Less Current Liabilities				
Creditors		4,153,315		1,841,303
Amounts due to Fellow Subsidiaries		182,938		426,372
Bank Overdrafts	15	445,557		56,216
		<u>4,781,810</u>		<u>2,323,891</u>
			(1,957,857)	3,721
			<u>£5,295,780</u>	<u>£1,696,279</u>
Financed by:-				
Share Capital	7		100	100
Reserves	11		1,106,390	299,324
Deferred Income	14		2,533,200	1,104,568
Loan from Holding Company	13		626,963	92,287
Loans	12		1,029,127	200,000
			<u>£5,295,780</u>	<u>£1,696,279</u>

Signed on behalf of the Board of Directors
who approved the accounts on 9th June 1982

R C N BRANSON

J S DRAPER

Directors

VIRGIN RECORDS LIMITED
and Subsidiary Companies
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 January 1982

	<u>Note</u>	£	£	<u>1981</u> £
Turnover	3		<u>£16,030,974</u>	<u>28,893,410</u>
Trading Profit after charging/(crediting):-			1,420,115	184,364
Depreciation of Fixed Assets		67,104		45,810
Hire of Equipment		9,814		9,340
Directors Emoluments				
Fees		-		-
Other Emoluments	8	20,119		30,265
Auditors Remuneration including expenses		14,250		21,755
Interest Receivable		(21,847)		-
Interest Payable		<u>90,500</u>		<u>-</u>
			<u>1,420,115</u>	<u>184,364</u>
Group Interest	13		-	19,350
Exceptional Item	4		-	(833,000)
Profit/(loss) before taxation			<u>1,420,115</u>	<u>(629,285)</u>
Taxation	9		(613,049)	(24,957)
Profit/(loss) after taxation			<u>807,066</u>	<u>(654,243)</u>
Extraordinary Item	5		-	48,813
Amount Retained	11		<u>£ 807,066</u>	<u>£(605,430)</u>

VIRGIN RECORDS LIMITED
BALANCE SHEET 31 JANUARY 1932

	Note	£	£	1931 £
Fixed Assets	2		170,132	60,549
Loan to Holding Company			6,966,571	1,563,827
Loan to Subsidiary Company			150,169	200,000
Loan to Fellow Subsidiary Company			103,877	-
Investment in Subsidiaries	6		380	380
Investment in Fellow Subsidiaries	6		163	163
			<u>7,391,292</u>	<u>1,824,919</u>
Current Assets				
Artiste Advances	1	584,743		692,273
Stock	1	74,570		154,027
Debtors		1,573,881		676,671
Amounts due from Group Companies		234,049		329,742
Cash at Bank and in Hand		859		42,236
		<u>2,473,102</u>		<u>1,894,949</u>
Less Current Liabilities				
Creditors		3,629,188		1,468,005
Amounts due to Group Companies		1,204,692		528,555
Bank Overdrafts	15	414,138		39,843
		<u>5,248,018</u>		<u>2,036,403</u>
			(2,774,916)	(141,454)
			<u>£4,616,376</u>	<u>£1,683,465</u>
Financed by:-				
Share Capital	7		100	100
Reserves	11		1,053,949	378,797
Deferred Income	14		2,533,200	1,104,568
Loans	12		1,029,127	200,000
			<u>£4,616,376</u>	<u>£1,683,465</u>

Signed on behalf of the Board of Directors
who approved the accounts on 9th June 1932

R C N BRANSON)
J S DRAPER)

Directors

VIRGIN RECORDS LIMITED
and Subsidiary Companies
NOTES TO THE ACCOUNTS
31 JANUARY 1982

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1. Accounting Policies

a) Basis of Accounting

The attached accounts are prepared on the historical cost basis of accounting.

b) Composition of Consolidated Accounts

The consolidated accounts incorporate the accounts of the holding company and its subsidiaries. The holding company's share of profits less losses is included in the profit for the year attributable to the group.

c) Depreciation

Depreciation of fixed assets is provided on a straight line basis applied to original cost at rates estimated to write off each asset over its remaining useful life.

For the purpose of calculating depreciation, the effective useful life of the classes of assets currently held by the group is as follows:-

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Freehold Buildings	50 years
Leasehold Properties	Term of Lease
Plant and Equipment	4 - 8 years
Motor Vehicles	4 years

d) Stocks

Stocks are valued at the lower of cost and net realisable value.

e) Deferred Taxation

Deferred taxation is provided for on the liability method, in respect of the tax reduction arising from all originating timing differences of a material amount other than any tax reduction which can be demonstrated with reasonable probability to continue for the foreseeable future.

f) Royalties

Royalties are dealt with on an accruals basis and provision made for the related royalties payable.

g) Artiste and Writers Advances

Artiste and Writers Advances are reduced by actual earnings or if it is considered that future earnings, including estimated advances receivable, will not exceed the advance then a provision for the estimated shortfall is raised.

h) Licencee/Royalty Advances

Advances received are reduced by actual earnings or written off over the remaining useful life of the contract when it can be demonstrated that future earnings will not exceed the net value of the advance.

VIRGIN RECORDS LIMITED
and Subsidiary Companies
NOTES TO THE ACCOUNTS

31 January 1982

2. Fixed Assets

<u>Group</u>	<u>Properties</u> <u>Freehold</u>	<u>Leasehold</u> <u>(Short)</u>	<u>Motor</u> <u>Vehicles</u>	<u>Plant and</u> <u>Equipment</u>	<u>Total</u>
	£	£	£	£	£
<u>Cost</u>					
2 February 1981	-	23,777	106,579	85,494	215,850
Transfers in/(out)	-	-	10,929	-	10,929
Additions	71,920	6,400	86,466	6,592	171,378
Disposals	-	-	(37,742)	-	(37,742)
31 January 1982	71,920	30,177	166,232	92,086	360,415
<u>Depreciation</u>					
2 February 1981	-	14,220	57,673	56,954	128,847
Transfers in/(out)	-	-	(2,273)	-	2,273
Disposals	-	-	(20,735)	-	(20,735)
Charge for period	2,818	8,517	41,220	14,549	67,104
31 January 1982	2,818	22,737	80,431	71,503	177,489
<u>Net Book Value - 1982</u>	£69,102	£7,440	£85,801	£20,583	£182,926
<u>Net Book Value - 1981</u>	-	£9,557	£48,906	£28,540	£87,003

<u>Company</u>					
<u>Cost</u>					
2 February 1981	-	22,625	80,211	58,144	160,980
Transfers in/(out)	-	-	8,498	-	8,498
Additions	71,920	5,165	86,394	5,046	168,525
Disposals	-	-	(19,573)	-	(19,573)
31 January 1982	71,920	27,790	155,530	63,190	318,430
<u>Depreciation</u>					
2 February 1981	-	13,920	40,970	45,541	100,431
Transfers in/(out)	-	-	1,959	-	1,959
Disposals	-	-	(10,283)	-	(10,283)
Charge for period	2,818	7,920	38,123	7,330	56,191
31 January 1982	2,818	21,840	70,769	52,871	148,298
<u>Net Book Value 1982</u>	£69,102	£5,950	£84,761	£10,319	£170,132
<u>Net Book Value 1981</u>	-	£3,705	£39,241	£12,603	£60,549

VIRGIN RECORDS LIMITED
and Subsidiary Companies
NOTES TO THE ACCOUNTS
31 JANUARY 1982

3. Turnover

Turnover includes sales to third parties and income from royalties and copyrights.

4. Exceptional Item

This is the additional provision which was considered necessary against various artiste advances, following the termination of the group's direct distribution operation in the United States of America.

5. Extraordinary Item

	<u>1982</u>	<u>1981</u>
Profit on disposal of fixed assets	<u>NIL</u>	<u>£48,813</u>

6. Subsidiary Companies

- a) These subsidiaries, all incorporated in England which, in the opinion of the directors materially affect the profits and assets of the Group are as follows:-

	<u>Interest %</u>	<u>Nature of Business</u>
Dindisc Limited	100	Records and Tapes
Dinsong Limited	100	Music Publishing

- b) Subsidiaries are shown in the Balance Sheet at cost.

- c) Investment in fellow subsidiaries.

This investment represents the cost of the shares in those other subsidiaries of Virgin Holdings Ltd, all incorporated in England, in which the company has a substantial interest. The subsidiaries which are material in relation to this group are as follows:-

	<u>Interest %</u>	<u>Nature of Business</u>
Manor Studios (Holdings) Ltd	39	Holding Co: Studio Division
Virgin Entertainments (Holdings) Ltd	39	Holding Co: Entertainment Division
Virgin Music Publishers Ltd	45	Music Publishers

The results of these companies are incorporated in the consolidated accounts of the parent company, Virgin Holdings Limited.

VIRGIN RECORDS LIMITED
and Subsidiary Companies
NOTES TO THE ACCOUNTS
31 JANUARY 1982

<u>7. Share Capital</u>	<u>1982</u>	<u>1981</u>
Ordinary Shares	£	£
Authorised, Issued and Fully Paid 100 Shares of £1 each	<u>£100</u>	<u>£100</u>
<u>8. Directors Emoluments</u>		
Chairman	Nil	Nil
Highest Paid Director	<u>£20,119</u>	<u>£16,331</u>
Other directors		
£0 - £5,000	2	2
£15,001 - £20,000	-	1

9. Taxation

The taxation charge is comprised of:-

	<u>31.1.82</u>	<u>Group</u> <u>1.2.81</u>
	£	£
Prior Year UK Corporation Tax at 52%	174,200	-
Overseas Withholding Taxation	6,995	24,957
Group Relief	<u>431,854</u>	<u>-</u>
	<u>£613,049</u>	<u>£24,957</u>

No provision has been made in the accounts for deferred taxation arising from timing differences as it is thought probable that no actual tax liability will arise in the foreseeable future.

The potential amount of taxation credit for all timing differences calculated on the liability method is as follows -

	<u>Group</u>		<u>Company</u>	
	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>
Accelerated Capital Allowances	<u>£(20,608)</u>	<u>£(20,079)</u>	<u>£(21,605)</u>	<u>£(22,360)</u>

Following the enactment of the Finance Act 1981 stock relief is regarded as permanent.

VIRGIN RECORDS LIMITED
and Subsidiary Companies
NOTES TO THE ACCOUNTS
31 JANUARY 1982

10. Holding Company

The holding company is Virgin Holdings Limited, a company incorporated in England.

11. Reserves

	<u>Group</u>		<u>Company</u>	
	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>
	£	£	£	£
Profit and Loss account				
Brought Forward	299,324	904,754	378,797	1,036,972
Profit/(Loss) for year	937,066	(605,430)	675,152	(658,175)
Carried Forward	<u>£1,106,390</u>	<u>£299,324</u>	<u>£1,053,949</u>	<u>£ 378,797</u>

12. Loans

	<u>1982</u>	<u>1981</u>
	£	£
<u>Repayable within 5 years, interest free</u>		
Unsecured	629,127	200,000
Secured	400,000	-
	<u>£1,029,127</u>	<u>£200,000</u>

13. Loan from Holding Company

The holding company will continue to provide short and long term finance for a subsidiary company. There is no fixed date set for repayment of the loan. No interest is chargeable on the loan from 2 February 1981.

14. Deferred Income

Deferred income represents licencees advances that are expected to be recouped by future royalties receivable.

15. Contingent Liability

A claim has been instituted in the Courts by one of the company's artistes. The company has been advised by its Solicitors, that they have good prospects of successfully defending this action. No provision for the claim has been made in the accounts and in the circumstances it would not be practical to evaluate the possible financial effect.

Guarantees have been given in respect of bank overdrafts and other borrowings of group companies. These guarantees are supported by mortgage debentures creating fixed and floating charges over all the group's assets.

16. Comparative Figures

At 31 January 1982 all balances between group companies and Virgin Holdings Limited have been aggregated and included in the loan to and loan from holding company. The comparative figures have been restated in accordance with this policy.

VIRGIN RECORDS LIMITED
and Subsidiary Companies
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the year ended 31 January 1982

	£	£	1931 £
<u>Source of Funds</u>			
Profit/(Loss) for the year before tax		1,420,115	(629,236)
Adjustment for items not involving the movement of funds			
Losses on disposal of fixed assets		6,065	-
Depreciation		67,104	45,840
Total Generated/(Absorbed) by Operations		<u>1,493,284</u>	<u>(583,446)</u>
<u>Other Sources</u>			
Loan from Holding Company	514,676		69,500
Proceeds from sale of fixed assets	10,942		284,297
Deferred Income	1,428,632		567,199
Loans Received	<u>829,127</u>		<u>-</u>
		<u>2,803,377</u>	<u>920,996</u>
		4,296,661	337,550
<u>Application of Funds</u>			
Purchase of fixed assets	180,034		47,799
Loan Advance	5,465,155		1,952,000
Loan Repaid	-		50,000
Taxation Payment	<u>438,849</u>		<u>24,957</u>
		<u>6,084,039</u>	<u>2,074,756</u>
		(1,787,378)	(1,737,206)
<u>Decrease/(Increase) in Working Capital</u>			
Artiste Advances	379,914		482,515
Stock	83,006		53,414
Debtors	(1,094,606)		106,405
Creditors	2,137,812		806,598
Inter Company Balances	<u>(149,466)</u>		<u>596,174</u>
		<u>1,356,660</u>	<u>2,045,106</u>
<u>Net (Increase)/Decrease in Bank Balances</u>		<u>£ (430,718)</u>	<u>£307,900</u>