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VIRGIN RECORDS LIMITED

ACCOUNTS

31 JANUARY 1983



TRAIN SCOTT
Chartered Accountants

VIRGIN RECORDS LIMITED

Annual Report and Statement of Accounts for the year ended
31 January 1983

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DIRECTORS

R C N Branson

J S Draper

K M Berry

A A H Clark

S G Lewis

SECRETARY

T J Baughan

REGISTERED OFFICE

95-99 Ladbroke Grove
London W11 1PG

AUDITORS

Train Scott
Chartered Accountants
1 Sandell Street
London SE1 8UH

VIRGIN RECORDS LIMITEDREPORT 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 1983.

Share Capital

At an Extraordinary General Meeting held on 30 January 1983, resolutions were passed to increase the authorised capital of the company to £10,000 and also to approve a bonus issue of 99 Ordinary Shares for every 1 Ordinary Share, such amount to be capitalised from the reserves.

Group Reorganisation

As part of the group reorganisation Virgin Records Limited acquired, on 1 February 1982, the business undertaking and assets of Dindisc Limited, Dinsong Limited, Virgin Entertainments (Holdings) Limited, Virgin Films Limited, Virgin T.V. Productions Limited, Virgin Video Limited and Gimble Productions Limited and on 30 January 1983, the business undertaking and assets of Virgin Books Limited and Event Publishing Limited. On 30 January 1983 Virgin Enterprises Limited became the ultimate holding company.

Principal Activities

The company distributes and produces the following:- records and cassettes on the Virgin and Din Disc labels, books, films, videos and television programmes. The company uses the trading names: Virgin Films, Virgin T.V. Productions, Virgin Video and Virgin Books.

Results

The results for the year are shown on page 6 of the accounts.

Exports

The value of goods exported from the United Kingdom and income received from overseas amounted to £4,308,765 (1982 £2,319,213).

Fixed Assets

During the year all the company's leasehold and freehold properties were transferred to Virgin Holdings Limited.

VIRGIN RECORDS LIMITEDREPORT OF THE DIRECTORS

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

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>31.1.83</u>	<u>1.2.82</u>	Virgin Enterprises Limited <u>31.1.83</u>	Virgin Holdings Limited <u>1.2.82</u>
R C N Branson	-	-	85,000	90,000 (A Shares)
J S Draper	-	20	15,000	-
K M Berry	-	-	-	-
A A H Clark (Appointed 14.2.82)	-	-	-	-
S G Lewis (Appointed 30.1.83)	-	-	-	-

Auditors

Train Scott have indicated their willingness to continue in office.

By Order of the Board

T J Baughan

Secretary

95-99 Ladbroke Grove
London W11 1PG

20 May 1983

VIRGIN RECORDS LIMITED

REPORT OF THE AUDITORS
TO THE MEMBERS OF VIRGIN RECORDS LIMITED

We have examined the financial statements set out on pages 5 to 14 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 at 31 January 1983 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.



TRAIN SCOTT
Chartered Accountants

1 Sandell Street
London SE1 8UH

20 May 1983

VIRGIN RECORDS LIMITED
BALANCE SHEET 31 JANUARY 1983

	<u>Note</u>	£	£	<u>1982</u> £
Fixed assets	2		149,882	170,132
Loan to Holding Company	12		6,069,415	6,966,571
Loan to Subsidiary Company			-	150,169
Loan to Fellow Subsidiary Company			103,877	103,877
Investment in Subsidiaries	4		1,120	543
Investment	5		21,813	-
			<u>6,346,107</u>	<u>7,391,292</u>
<u>Current Assets</u>				
Artiste Advances	1	121,789		584,743
Stock	1	265,410		74,570
Debtors		3,517,572		1,578,881
Amounts due from Group Companies		557,284		234,049
Cash at bank and in hand		800		859
		<u>4,462,855</u>		<u>2,473,102</u>
<u>Less Current Liabilities</u>				
Creditors		5,681,249		3,629,188
Amounts due to Group Companies		240,686		1,204,692
Bank Overdrafts	14	84,985		414,138
		<u>6,006,920</u>		<u>5,248,018</u>
			(1,544,065)	(2,774,916)
			<u>4,802,042</u>	<u>4,616,376</u>
 Financed by:-				
Share Capital	6		10,000	100
Reserves	10		1,046,882	1,053,949
Deferred Income	13		1,853,880	2,533,200
Loans	11		1,891,280	1,029,127
			<u>4,802,042</u>	<u>4,616,376</u>

Signed on behalf of the Board of Directors
who approved the accounts on 20 May 1983

R.C.N. BRANSON

J.S. DRAPER

DIRECTORS

VIRGIN RECORDS LIMITEDPROFIT AND LOSS ACCOUNTFor the year ended 31 January 1983

	<u>Note</u>	£	£	<u>1982</u> £
<u>Turnover</u>	3		<u>20,793,186</u>	<u>13,137,430</u>
Trading profit after charging/(crediting):-			2,114,230	1,188,495
Depreciation of fixed assets		43,542		56,191
Hire of equipment		5,626		5,894
Directors emoluments	7			
Fees		-		-
Other emoluments		-		20,119
Auditors remuneration including expenses		10,000		12,000
Interest receivable		(15,391)		(21,847)
Interest payable		<u>37,956</u>		<u>-</u>
Dividends receivable			<u>52,718</u>	<u>-</u>
Profit before taxation and extraordinary item			2,166,948	1,188,495
Taxation	8		<u>1,237,344</u>	<u>513,343</u>
Profit after taxation and before extraordinary item			929,604	675,152
Extraordinary item	15		<u>(926,771)</u>	<u>-</u>
Amount retained	10		<u>2,833</u>	<u>675,152</u>

VIRGIN RECORDS LIMITED

NOTES TO THE ACCOUNTS

31 JANUARY 1983

1. Accounting Policies

a) Basis of Accounting

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

b) 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>
Plant and Equipment	4 - 8 years
Motor Vehicles	4 years

c) Stocks

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

d) 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.

e) Royalties

Royalties are dealt with on an accruals basis and provision made for the related royalties payable. Income from U.K. compilation deals are treated on a cash receipts basis.

f) 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.

g) 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 LIMITEDNOTES TO THE ACCOUNTS31 JANUARY 19832. Fixed Assets

	<u>Properties</u>		<u>Motor</u>	<u>Plant and</u>	<u>Total</u>
	<u>Freehold</u>	<u>Leasehold</u>	<u>Vehicles</u>	<u>Equipment</u>	
<u>Cost</u>	£	£	£	£	£
1 February 1982	71,920	27,790	155,530	63,190	318,430
Transfers-on Group Reorganisation	-	-	10,702	36,787	47,489
-Other (net)	(71,920)	(27,790)	(24,180)	-	(123,890)
Additions	-	-	133,199	5,759	138,958
Disposals	-	-	(99,919)	(4,704)	(104,623)
31 January 1983	-	-	175,332	101,032	276,364
<u>Depreciation</u>					
1 February 1982	2,818	21,840	70,769	52,871	148,298
Transfers-on Group Reorganisation	-	-	9,662	24,012	33,674
-Other (net)	(2,818)	(21,840)	(17,098)	-	(41,756)
Disposals	-	-	(54,924)	(2,352)	(57,276)
Charge for period	-	-	29,294	14,248	43,542
31 January 1983	-	-	37,703	88,779	126,482
<u>Net Book Value 1983</u>	-	-	137,629	12,253	149,882
<u>Net Book Value 1982</u>	69,102	5,950	84,761	10,319	170,132

3. Turnover

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

VIRGIN RECORDS LIMITEDNOTES TO THE ACCOUNTS31 JANUARY 19834. Subsidiary Companies

- (a) The following companies, all incorporated in England, were subsidiaries at 31 January 1983:-

	<u>Interest %</u>	<u>Nature of Business</u>
Dindisc Limited	100	Records and Tapes
Dinsong Limited	100	Music Publishing
Clifdayn Limited	100	Non-Trader
Graphitti Graphics Limited	100	Non-Trader
Virgin Films Limited	100	Film Production
Virgin TV Productions Limited	100	Film Production
Virgin Video Limited	100	Video Production
Gimble Productions Limited	100	Non-Trader
Virgin Books Limited	100	Book Publishing
Event Publishing Limited	100	Listings Magazine
Virgin Entertainments (Holdings) Limited	100	Non-Trader

- (b) Following the group reorganisations all the above companies have ceased to trade.

- (c) Investment in other group company:

An investment amounting to 40% is held in a subsidiary of Virgin Holdings Limited, a fellow subsidiary of Virgin Enterprises Limited.

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

5. Investment

The investment was acquired during the year, and in the opinion of the directors the market value is the same as cost.

VIRGIN RECORDS LIMITED

NOTES TO THE ACCOUNTS

31 JANUARY 1983

6. Share Capital

	<u>1983</u>	<u>1982</u>
	£	£
Ordinary Shares		
Authorised, Issued and Fully Paid		
10,000 Shares of £1 each	<u>£10,000</u>	<u>£100</u>

On 30 January 1983 the authorised share capital was increased to £10,000 and a bonus issue of 99 for every 1 Ordinary Share capitalised from reserves.

7. Directors Emoluments

Chairman	NIL	NIL
Highest Paid Director	<u>£ NIL</u>	<u>£20,119</u>
Other Directors		
£0 - £5,000	3	2

8. Taxation

The taxation charge is comprised of:-

	<u>1983</u>	<u>1982</u>
	£	£
Prior Year UK Corporation Tax at 52%	45,747	174,200
Overseas Withholding Taxation	5,195	6,995
Group Relief	978,402	332,148
Corporation Tax - current year	208,000	-
	<u>1,237,344</u>	<u>513,343</u>

No provision has been made in the accounts for deferred taxation arising from timing differences as there is no potential deferred tax liability.

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

	<u>1983</u>	<u>1982</u>
Accelerated Capital Allowances	<u>£(10,071)</u>	<u>£(21,605)</u>

VIRGIN RECORDS LIMITED

NOTES TO THE ACCOUNTS

31 JANUARY 1983

9. Holding Company

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

10. Reserves

	<u>1983</u>	<u>1982</u>
Profit and Loss Account	E	E
Brought Forward	1,053,949	378,797
Capitalisation of Reserves	(9,900)	-
Profit retained for the year	2,833	675,152
Carried Forward	<u>1,046,882</u>	<u>1,053,949</u>

11. Loans

	<u>1983</u>	<u>1982</u>
<u>Repayable within 5 years, interest free</u>	E	E
Unsecured	557,947	429,127
Secured	1,333,333	600,000
	<u>1,891,280</u>	<u>1,029,127</u>

The amount repayable within the next 12 months included in the loans above is £391,280 (1982 : £166,667).

12. Loan to Holding Company

There is no fixed date set for repayment of the loan and no interest is chargeable.

13. Deferred Income

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

14. Contingent Liability

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.

VIRGIN RECORDS LIMITED

NOTES TO THE ACCOUNTS

31 JANUARY 1983

15. Extraordinary Items

This arises from writing off the intercompany balances with those companies which transferred their business undertaking and assets to Virgin Records Limited during the year.

16. Group Accounts

These have not been prepared since the company is a wholly owned subsidiary of Virgin Enterprises Limited.

17. Capital Commitments

There were no capital commitments at 31 January 1983 (1982 nil).

18. Companies Act 1981

The company has adopted the transitional exemptions granted under Schedule 2 to the Companies Act 1981, and accordingly, these accounts have been drawn up so as to comply with Section 149A and Schedule 8A to the Companies Act 1948.

VIRGIN RECORDS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended 31 January 1983

<u>Source of Funds</u>	£	£	<u>1982</u> £
Profit/(Loss) for the year before tax		2,114,230	1,188,495
Adjustment for items not involving the movement of funds			
Extraordinary Item	(926,771)		-
Profit on disposal of fixed assets	(1,893)		-
Depreciation	43,542		56,191
Film write off	25,000		-
		(860,122)	56,191
Total Generated/(Absorbed) by Operations		1,254,108	1,244,686
Other Sources			
Dividends Received	52,718		-
Loan Repaid	-		49,831
Proceeds from sale of fixed assets	131,374		9,290
Group Reorganisation (Note)	874,053		-
Loans Received	1,028,820		829,127
		2,086,965	888,248
		3,341,073	2,132,934
<u>Application of Funds</u>			
Purchase of fixed assets	138,958		175,064
Loan Advances	715,499		5,506,621
Loan Repaid	166,667		-
Investments acquired	22,390		-
Taxation Payment	1,029,344		339,143
		2,072,858	6,020,828
		1,268,215	(3,887,894)
<u>Decrease/(Increase) in Working Capital</u>			
Artiste Advances	486,502		107,530
Stock	(66,530)		79,457
Debtors	(1,471,651)		(902,210)
Deferred Income	(694,683)		1,428,632
Creditors	1,135,861		1,986,983
Inter Company Balances	(262,767)		771,830
		(873,268)	3,472,222
<u>Net (Increase)/Decrease in Bank Balances</u>		394,947	(415,672)

VIRGIN RECORDS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSFor the year ended 31 January 1983(Continued)Note

The business undertaking, assets and liabilities transferred on the Group Reorganisation can be summarised as follows:-

	£
Fixed Assets	13,815
Intra Group Loans	(1,762,824)
Current Assets	1,716,537
Current Liabilities	(841,581)
	<u>£(874,053)</u>