

WE HEREBY CERTIFY this to be a true copy of the original Accounts
for year ended 31st December, 1976.

DATED this 24th day of November 1977.

VIRGIN RECORDS LIMITED

107095
25
.....
Director

.....
Secretary

ACCOUNTS

31 DECEMBER 1976

TRAIN SCOTT & CO.

Chartered Accountants

VIRGIN RECORDS LIMITED

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 December 1976.

RESULTS

	£
The loss for the year, before taxation amounts to	(125,390)
A Taxation credit arises of	17,460
Leaving a loss after taxation of	(107,930)
Balance brought forward	384,017
Leaving a balance to be carried forward of	<u>£276,087</u>

PRINCIPAL ACTIVITIES

The company continues in the production and distribution of records and cassettes on the "Virgin" label.

EXPORTS

During the year the company exported goods and services to the value of £493,000 (1975 £520,000).

DIRECTORS

The Directors of the company throughout the year and their interests in the share capital of the company are as follows:-

	<u>Ordinary Shares</u>	
	<u>31 December 1976</u>	<u>1 January 1976</u>
* R.C.N. Branson	1	1
N.M. Powell	-	-
J.S. Draper	20	20
K.M. Berry (appointed 26.9.76)	-	-

* Held as nominee for Virgin Records (Holdings) Limited.

AUDITORS

Messrs. Train Scott & Co. have indicated their willingness to remain in office.

By Order of the Board

Secretary.

2 Vernon Yard
119 Portobello Road
London W11

VIRGIN RECORDS LIMITED

REPORT OF THE AUDITORS
TO THE MEMBERS OF VIRGIN RECORDS LIMITED

We have examined the accounts set out on pages 3 to 8. These have been prepared under the historical cost convention.

In our opinion, these accounts give, under the accounting convention stated above, a true and fair view of the state of the Company's affairs at 31 December 1976 and of the loss and of the Source and Application of Funds for the year ended on that date, and comply with the Companies Acts 1948 and 1967.

9 Basinghall Street
London EC2V 5BQ

TRAIN SCOTT & CO
Chartered Accountants

6th September, 1977

VIRGIN RECORDS LIMITED
BALANCE SHEET 31 DECEMBER 1976

	<u>Note</u>	£	£	<u>1975</u> £
<u>FIXED ASSETS</u>	2.		98,567	78,013
<u>LOAN TO HOLDING COMPANY</u>			386,543	-
<u>INVESTMENTS</u>			124	204
<u>CURRENT ASSETS</u>				
Stocks	1.	76,798		49,134
Debtors		766,200		472,118
Amounts due from Group Companies		244,944		2,021
Cash at Bank and in Hand		98,474		557,643
		<u>1,186,466</u>		<u>1,080,916</u>
<u>Less CURRENT LIABILITIES</u>				
Creditors		1,221,309		433,607
Amounts due to Group Companies		153,840		303,585
Taxation	5.	-		28,765
		<u>1,375,149</u>		<u>765,957</u>
			(188,683)	314,959
			296,551	393,176
<u>DEFERRED TAXATION</u>	1.		20,364	9,059
			<u>£276,187</u>	<u>£384,117</u>
Financed by -				
<u>SHARE CAPITAL</u>				
Authorised, Issued and Fully Paid			100	100
<u>PROFIT AND LOSS ACCOUNT</u>			276,087	384,017
			<u>£276,187</u>	<u>£384,117</u>

..... R.C.N. Branson

DIRECTORS

..... N.M. Powell

VIRGIN RECORDS LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1976

	<u>Note</u>	£	£	<u>1975</u> £
<u>TURNOVER</u>	4.		<u>£2,441,000</u>	<u>£2,176,000</u>
<u>TRADING PROFIT/(LOSS) before charging:-</u>			(139,780)	580,660
Directors Emoluments		-		-
Fees	3.	13,914		4,984
Other Emoluments	2.	27,625		10,926
Depreciation of Fixed Assets		6,250		5,000
Audit and Accountancy		(62,179)		(39,845)
Interest			(14,390)	(18,935)
			(125,390)	599,595
<u>PROFIT/(LOSS) BEFORE TAXATION</u>			(17,460)	317,993
Taxation	5.		(107,930)	281,602
			384,017	102,415
Balance brought forward			<u>£276,687</u>	<u>£384,017</u>
<u>BALANCE CARRIED FORWARD 31 DECEMBER 1976</u>				

VIRGIN RECORDS LIMITEDNOTES TO THE ACCOUNTS31 DECEMBER 19761. ACCOUNTING POLICIESa) Depreciation

Depreciation has been provided on capital expenditure at rates calculated to write off each asset over its estimated remaining life.

b) Stocks

Stocks have been valued at cost or estimated net realisable value if lower.

c) Deferred Taxation

Deferred Taxation is provided at 52% (1975 52%) on the amount by which taxation allowances exceed the charge for depreciation on those assets qualifying for allowances.

2. FIXED ASSETS

	<u>Leasehold Property</u>	<u>Leasehold Property</u>	<u>Motor Vehicles</u>	<u>Plant and Equipment</u>	<u>Total</u>
	£	£	£	£	£
<u>Cost</u>					
1 January 1976	49,000	15,984	16,547	21,589	103,120
Additions	21,350	1,828	29,487	29,612	82,277
Disposals	-	(1,828)	(18,588)	(10,833)	(31,249)
Group Transfers	-	-	(1,145)	(8,857)	(10,002)
31 December 1976	70,350	15,984	26,301	31,511	144,146
<u>Depreciation</u>	10,000	13,920	6,575	15,084	45,579
<u>Net Book Value - 1976</u>	<u>£60,350</u>	<u>£2,064</u>	<u>£19,726</u>	<u>£16,427</u>	<u>£98,567</u>
1975	<u>£49,000</u>	<u>£6,240</u>	<u>£8,652</u>	<u>£14,121</u>	<u>£78,013</u>

VIRGIN RECORDS LIMITEDNOTES TO THE ACCOUNTS31 DECEMBER 19763. DIRECTORS' EMOLUMENTS

	<u>1976</u>	<u>1975</u>
Chairman	Nil	Nil
Highest Paid Director	<u>£7,705</u>	<u>£4,984</u>
Other Directors	<u>Number</u>	<u>Number</u>
£0 - £2,500	1	1
£5,001 - £7,500	1	-

4. TURNOVER

The amount of turnover is based on net invoiced sales and accountings from overseas licences, being charges in respect of goods and services provided.

	<u>1976</u>	<u>1975</u>
	£	£
Outside the Group	1,989,000	1,896,000
Other Group Companies	452,000	280,000
	<u>£2,441,000</u>	<u>£2,176,000</u>

5. TAXATION

Corporation Tax has been provided at the rate of 52% (1975 52%) based on the profit for the year.

i) The charge/(credit) for Taxation comprises:-

	<u>1976</u>	<u>1975</u>
	£	£
Corporation Tax	-	28,765
Deferred Taxation - (Release)/Charge	11,305	(5,398)
Group Relief	-	294,253
Under provision in prior year	(28,765)	373
	<u>(£17,460)</u>	<u>£317,993</u>

ii) The taxation balances comprise:-

Corporation Tax payable		
1 October 1977	-	£28,765
Deferred Taxation	£20,364	£9,059

VIRGIN RECORDS LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1976

6. HOLDING COMPANY

The company is a subsidiary of Virgin Records (Holdings) Limited which is incorporated in England and whose holding is 80%.

7. MORTGAGE DEBENTURE

The bank holds a Mortgage Debenture over all the assets of the company.

8. CONTINGENT LIABILITIES

A Guarantee has been given in respect of the bank overdrafts of other group companies.

VIRGIN RECORDS LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the year ended 31 December 1976

	<u>1976</u>	<u>1975</u>
	£	£
<u>SOURCES OF FUNDS</u>		
Profit/(Loss) for the year before taxation	(125,390)	599,595
Proceeds from Sale of Fixed Assets	24,096	30,973
Proceeds from transfer of shares in subsidiary company	80	-
Depreciation	27,625	10,926
	<u>(73,589)</u>	<u>641,494</u>
<u>APPLICATION OF FUNDS</u>		
Purchases of Fixed Assets	72,275	36,316
Purchase of Shares in Fellow Subsidiaries	-	124
Tax Payments	-	294,894
	<u>72,275</u>	<u>331,334</u>
	<u>(145,864)</u>	<u>310,160</u>
<u>INCREASE/(DECREASE) IN WORKING CAPITAL</u>		
Stock	27,664	19,540
Debtors	294,082	380,440
Creditors	(754,350)	(101,071)
Inter-Company Trade balances	359,366	(143,960)
	<u>(73,238)</u>	<u>155,849</u>
<u>NET (INCREASE)/DECREASE IN BORROWINGS</u>	<u>(£72,626)</u>	<u>£154,311</u>