

VIRGIN RECORDS LIMITED

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ACCOUNTS

31 DECEMBER 1978

TRAIN SCOTT & CO.

Chartered Accountants



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 December 1978.

RESULTS

	£
The profit for the year, before taxation amounts to	655,362
Less the charge for taxation	<u>267,736</u>
Leaving a profit after taxation of	387,626
Extraordinary item	(139,537)
Balance brought forward	<u>451,563</u>
Leaving a balance to be carried forward of	<u>£699,752</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 £1,655,000 (1977 £728,000).

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 1978</u>	<u>1 January 1978</u>
R C N Branson	—	—
N M Powell	—	—
J S Draper	20	20
K M Berry	—	—

AUDITORS

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

By Order of the Board

N M Powell

2 Vernon Yard
119 Portobello Road
London W11

Secretary

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 7 which have been prepared on the basis of the accounting policies set out on page 5.

In our opinion these accounts give a true and fair view of the state of affairs of Virgin Records Limited as at 31 December 1978 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 and 1967.

9 Basinghall Street
London EC2V 5BQ

TRAIN SCOTT & CO
Chartered Accountants

8 June 1979

INDISTINCT ORIGINAL

VIRGIN RECORDS LIMITED
BALANCE SHEET 31 DECEMBER 1978

	<u>Note</u>	£	£	<u>1977</u> £
<u>FIXED ASSETS</u>	2.		168,178	477,255
<u>LOAN TO HOLDING COMPANY</u>			117,000	608,543
<u>INVESTMENTS</u>			163	124
<u>CURRENT ASSETS</u>				
Stocks	1.	165,460		94,425
Debtors		1,864,521		1,331,501
Amounts due from Group Companies		442,919		387,172
Cash at Bank and in Hand		40,930		174,507
		<u>2,513,830</u>		<u>1,987,605</u>
<u>Less CURRENT LIABILITIES</u>				
Creditors		1,425,184		2,045,910
Amounts due to Group Companies		485,478		486,758
Bank Overdraft	7.	188,657		-
		<u>2,099,319</u>		<u>2,532,668</u>
			414,511	(545,063)
			<u>£699,852</u>	<u>£540,859</u>

Financed by -

SHARE CAPITAL

Authorised, Issued and Fully Paid
 Ordinary Shares of £1 each

100 100

PROFIT AND LOSS ACCOUNT

699,752 451,663

DEFERRED TAXATION

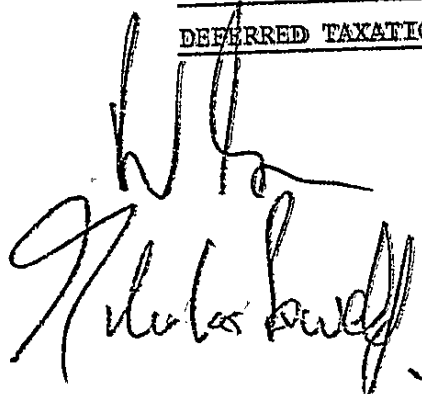
1. - 89,096

£699,852 £540,859

R C N BRANSON

DIRECTORS

N M POWELL



VIRGIN RECORDS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1978

	<u>Note</u>	£	£	<u>1977</u> £
<u>TURNOVER</u>	4.		<u>£5,731,000</u>	<u>£3,179,000</u>
<u>TRADING PROFIT after charging:-</u>			655,362	199,539
Directors Emoluments		-		-
Fees	3.	22,647		27,792
Other Emoluments	1.	36,834		22,405
Depreciation of Fixed Assets		8,000		7,300
Auditors Remuneration		(37,321)		(48,302)
Interest		3,332		3,108
Hire of Equipment				
			<u>655,362</u>	<u>199,539</u>
<u>PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEM</u>			<u>267,736</u>	<u>23,963</u>
Taxation	5.		<u>387,626</u>	<u>175,576</u>
Extraordinary Item	9.		<u>139,537</u>	-
<u>PROFIT AFTER TAXATION AND EXTRAORDINARY ITEM</u>			<u>248,089</u>	<u>175,576</u>
Balance brought forward			451,663	276,087
<u>BALANCE CARRIED FORWARD</u>			<u>£699,752</u>	<u>£451,663</u>

VIRGIN RECORDS LIMITEDNOTES TO THE ACCOUNTS31 DECEMBER 19781. ACCOUNTING POLICIESa) 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 employed by the Company is as follows:-

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

c) Stocks

Stocks are valued at the lower of cost and net realisable value. Manufactured stock includes all direct expenditure and an appropriate proportion of overheads based on normal levels of activity.

d) Deferred Taxation

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

2. FIXED ASSETS

	<u>Freehold Property</u>	<u>Leasehold Property</u>	<u>Motor Vehicles</u>	<u>Plant and Equipment</u>	<u>Total</u>
	£	£	£	£	£
<u>Cost</u>					
1 January 1978	62,150	15,984	50,750	406,355	535,239
Additions	102	1,000	76,464	23,139	100,706
Disposals	-	-	(37,228)	(347,487)	(384,715)
31 December 1978	62,253	16,984	89,986	82,007	251,230
<u>Depreciation</u>	1,207	13,920	30,265	37,660	83,052
<u>Net Book Value 1978</u>	£61,046	£3,064	£59,721	£44,347	£168,178
1977	£62,150	£2,064	£31,487	£381,554	£477,255

VIRGIN RECORDS LIMITED

NOTES TO THE ACCOUNTS

31 DECEMBER 1978

3. DIRECTORS' EMOLUMENTS

	<u>1978</u>	<u>1977</u>
Chairman	Nil	Nil
Highest Paid Director	£16,780	£14,597
Other Directors	<u>Number</u>	<u>Number</u>
£0 - £2,500	1	1
£5,001 - £7,500	1	-
£12,501 - £15,000	-	1

4. TURNOVER

Turnover includes sales to third parties and income from royalties and copyrights after deducting all discounts exclusive of VAT or relevant tax credit.

	<u>1978</u>	<u>1977</u>
	£	£
Outside the Group	4,674,000	2,602,000
Other Group Companies	1,057,000	577,000
	<u>£5,731,000</u>	<u>£3,179,000</u>

5. TAXATION

The charge/(credit) for taxation comprises:-

	<u>1978</u>	<u>1977</u>
Group Relief	356,832	(44,769)
Deferred Taxation	(89,096)	68,732
	<u>£267,736</u>	<u>£23,963</u>

6. HOLDING COMPANY

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

7. BANK OVERDRAFT

The bank overdraft is secured by a charge on the assets of the company.

8. CONTINGENT LIABILITIES

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

9. EXTRAORDINARY ITEM

Loan to fellow subsidiary company written off £139,537.

VIRGIN RECORDS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended 31 December 1978

	<u>1978</u>	<u>1977</u>
£	£	£
<u>SOURCES OF FUNDS</u>		
Profit for the year before taxation	655,362	199,539
Proceeds from Sale of Fixed Assets	371,034	1,023
Taxation Receipt	-	44,769
Reduction of loan to Holding Company	491,543	-
Extraordinary Item	(139,537)	-
Depreciation	36,834	22,405
	<u>1,415,236</u>	<u>267,736</u>
<u>APPLICATION OF FUNDS</u>		
Taxation Payment	356,832	-
Purchases of Fixed Assets	98,791	402,116
Purchase of Investments	39	-
	<u>455,662</u>	<u>402,116</u>
	959,574	(134,380)
<u>INCREASE/(DECREASE) IN WORKING CAPITAL</u>		
Stock	71,035	17,627
Debtors	533,020	565,301
Creditors	620,726	(824,601)
Inter-Company Trade Balances	57,027	(190,740)
	<u>1,281,808</u>	<u>(432,413)</u>
<u>NET (INCREASE)/DECREASE IN BORROWINGS</u>	<u>(£322,234)</u>	<u>£298,033</u>