

VIRGIN RECORDS LIMITED

ACCOUNTS

31 JANUARY 1985



VIRGIN RECORDS LIMITED
ANNUAL REPORT AND STATEMENT OF ACCOUNTS
For the year ended 31 January 1985

CONTENTS

Page 1 to 2	Report of the Directors
3	Report of the Auditors
4	Balance Sheet
5	Profit and Loss Account
6	Statement of source and application of funds
7 to 13	Notes to the accounts

VIRGIN RECORDS LIMITEDReport of the Directors

The Directors present their annual report and the audited accounts for the year ended 31 January 1985.

RESULTS

The results for the year are set out on page 5.

PRINCIPAL ACTIVITIES

The company is engaged in the production of popular music by exploiting the copyright of recordings and videos relative to rights obtained through contracts made with artistes.

BUSINESS REVIEW

The company's turnover increased by 6% to £43.5m with an increase in operating profit from £8.5m to £12.4m. This achievement was a result of establishing new artistes and continuing the development of existing signings. Both the level of business and the year end financial position were satisfactory and the Directors expect that the present level of activity will be sustained in the foreseeable future.

DIVIDENDS

A dividend of £400 per share has been paid (1984 - £400 per share).

DIRECTORS

The Directors of the company during the year and their interests in the shares of the company and the holding company were as follows:-

	Note	<u>Company</u>		<u>Holding Company</u>	
		31.1.85	31.1.84	31.1.85	31.1.84
R.C.N. Branson	1.	-	-	85,000	85,000
J.S. Draper	2.	-	-	21,250	15,000
K.M. Berry - beneficial	3.	-	-	5,000	-
- non beneficial	4.	-	-	40,000	-
A.A.H. Clark		-	-	-	-
S.G. Lewis		-	-	-	-
R.H.F. Devereux		-	-	-	-
Lisa Anderson		-	-	-	-
Jon Webster		-	-	-	-
T. Lyster (appointed 6.11.84)		-	-	-	-
S.M. Macleod (appointed 6.11.84)		-	-	-	-

1. This figure includes 45,000 shares which are held in trust of which Mr. Branson or his family are beneficiaries.

VIRGIN RECORDS LIMITED

Report of the Directors

DIRECTORS (continued)

2. This figure includes 15,250 shares which are held in trust of which Mr. Draper or his family are beneficiaries.
3. These shares are held in a trust of which Mr. Berry is a beneficiary as well as a trustee.
4. These shares are held by Mr. Berry as a trustee of certain settlements and include the 5,000 shares referred to in 3. above. The remaining 35,000 shares are held in settlements in which Mr. Berry has no beneficial interest.

POLITICAL AND CHARITABLE CONTRIBUTIONS

There were no contributions made for political and charitable purposes.

CHANGES IN FIXED ASSETS

The movements in fixed assets during the year are set out in note 2 to the accounts.

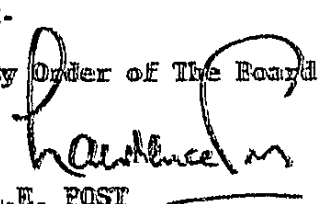
AUDITORS

A resolution to reappoint the auditors, Peat, Marwick, Mitchell & Co., will be proposed at the annual general meeting.

95-99 Ladbroke Grove
London W11 1PG

12th September 1985

By Order of The Board


L.E. POST
Secretary.

VIRGIN RECORDS LIMITED

REPORT OF THE AUDITORS

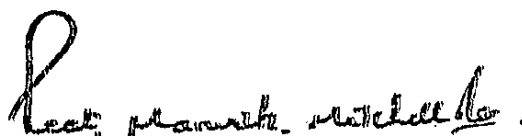
TO THE MEMBERS OF VIRGIN RECORDS LIMITED

We have audited the financial statements set out on pages 4 to 13 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 as at 31 January 1985 and of the results and of the Source and Application of Funds for the year ended on that date, and comply with the Companies Act 1985.

1 Ruddle Dock
London EC4V 3PD

12th September 1985


Peat, Marwick, Mitchell & Co
Chartered Accountants

VIRGIN RECORDS LIMITEDBalance Sheet 31 January 1985

	<u>Notes</u>	<u>1985</u>	<u>1984</u>
		£	£
FIXED ASSETS			
Tangible assets	2	402,792	176,826
Investments	18	1,033	1,120
		<u>403,825</u>	<u>177,946</u>
CURRENT ASSETS			
Stock	8	194,572	210,876
Debtors	9	19,763,243	18,990,707
Cash at bank and in hand		1,547,069	797
		<u>21,504,884</u>	<u>19,202,380</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(18,222,508)	(18,237,882)
NET CURRENT ASSETS		<u>3,282,376</u>	<u>964,498</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,686,201</u>	<u>1,142,444</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	11	-	(333,333)
PROVISION FOR LIABILITIES AND CHARGES	12	(8,139)	-
		<u>3,678,062</u>	<u>809,111</u>
CAPITAL AND RESERVES			
Called up share capital	13	10,000	10,000
Profit & loss account	19	3,668,062	799,111
		<u>3,678,062</u>	<u>809,111</u>

The accounts on pages 4 to 13 were approved by the Board of Directors on 12th September 1985 and signed on its behalf by:-

R.C.N. BRANSON

J.S. DRAPER

Directors

VIRGIN RECORDS LIMITEDProfit and Loss AccountFor the year ended 31 January 1985

	<u>Notes</u>	<u>1985</u>	<u>1984</u>
		£	£
Turnover	3	43,478,205	41,075,589
Cost of Sales		(26,769,545)	(28,254,189)
Gross Profit		16,708,660	12,821,400
Distribution costs		(1,377,571)	(1,468,462)
Administrative expenses		(2,923,771)	(2,806,840)
Operating Profit		12,407,318	8,546,098
Interest receivable and similar income		662,576	152,675
Amounts written off investments		-	(24,433)
Interest payable and similar charges	21	(136,497)	(163,998)
Profit on ordinary activities before tax	5	12,933,397	8,510,292
Tax on profit on ordinary activities	7	(6,064,446)	(4,758,063)
Profit on ordinary activities after tax		6,868,951	3,752,229
Dividend	15	(4,000,000)	(4,000,000)
Transfer from profit and loss account		2,868,951	(247,771)
Retained profit brought forward		799,111	1,046,882
Retained profit carried forward	19	3,668,062	799,111

The 1984 figures have been adjusted where appropriate to reflect prior year adjustments as outlined in Note 19.

VIRGIN RECORDS LIMITEDStatement of Source and Application of Funds
for the year ended 31 January 1985

SOURCE OF FUNDS

	£	1985 £	1984 £
Profit before tax		12,933,397	8,510,292
Adjustments for items not involving the movement of funds:-			
Depreciation of tangible fixed assets	73,449		53,905
(Profit)/Loss on sale of tangible fixed assets	(18,134)		5,315
Investment adjustments	87		-
Foreign Translation differences	(79,340)		-
		(23,938)	59,220
Total generated from operations		12,909,459	8,569,512
Funds from other sources			
Sale proceeds of fixed assets	92,743		71,481
Intergroup transfers	26,811		-
		119,554	71,481
		13,029,013	8,640,993

APPLICATION OF FUNDS

Taxation paid/Group relief	629,770	4,599,063
Purchase of fixed assets	400,835	157,645
Repayment of loan	133,333	1,100,000
Dividend paid	4,000,000	4,000,000
	5,163,938	9,856,708
INCREASE/(DECREASE) IN WORKING CAPITAL	7,865,075	(1,215,715)

INCREASE/(DECREASE) IN WORKING CAPITAL

Stocks	(16,304)	(54,534)
Debtors	772,536	8,598,957
Creditors excluding taxation, dividends and overdrafts	5,500,109	(9,782,658)
	6,256,341	(1,238,235)
Movements in net liquid funds:		
Bank and cash balances	1,608,734	22,520
	7,865,075	(1,215,715)

VIRGIN RECORDS LIMITEDNotes To The AccountsFor the year ended 31 January 1985**1. ACCOUNTING POLICIES**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's accounts.

a) Basis of accounting.

The accounts have been prepared under the historical cost convention, which allows the inclusion of certain assets at valuation.

Group accounts have not been prepared as Virgin Records Limited is a wholly owned subsidiary of another U.K. company.

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 purposes of calculating depreciation, the effective useful lives of the classes of assets currently held by the company are as follows:-

Motor Vehicles	4 years
Fleet & fixtures	4 years

c) Stocks.

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

d) Foreign Exchange.

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities expressed in foreign currencies are translated to sterling at the exchange rate ruling at 31 January 1985.

e) Taxation.

The charge for taxation is based on the profit for the year as adjusted for disallowable items and for timing differences to the extent that they are unlikely to result in an actual tax liability in the foreseeable future. Timing differences arise from the recognition for tax purposes of certain items of income and expenses in a different accounting period from that in which they are recognised in the accounts. The tax effect of other timing differences as reduced by the tax benefit of any accumulated losses is treated as a deferred tax liability.

f) Royalties.

Royalties receivable and payable are included on an accruals basis calculated on sales receivable during the accounting period. Any unrecouped advance received on licensee agreements is included in the period in which such agreement expires. Royalty advances paid are carried forward where it is estimated that sufficient future royalties or income will be earned for recoupment of such advances.

VIRGIN RECORDS LIMITED**Notes To The Accounts****For the year ended 31 January 1985****2. TANGIBLE FIXED ASSETS**

	Motor Vehicles £	Fleet & Fixtures £	Total £
COST			
1 February 1984	201,028	114,721	315,749
Additions	319,524	81,311	400,835
Disposals	(106,908)	-	(106,908)
Inter Group Transfers	(32,296)	-	(32,296)
31 January 1985	<u>381,348</u>	<u>196,032</u>	<u>577,380</u>
DEPRECIATION			
1 February 1984	40,109	98,814	138,923
Charge for year	58,965	14,484	73,449
Disposals	(32,299)	-	(32,299)
Inter Group Transfers	(5,485)	-	(5,485)
31 January 1985	<u>61,290</u>	<u>113,298</u>	<u>174,588</u>
NET BOOK VALUE			
31 January 1985	<u>320,058</u>	<u>82,734</u>	<u>402,792</u>
31 January 1984	<u>160,919</u>	<u>15,907</u>	<u>176,826</u>

3. TURNOVER

Turnover, which excludes value added tax, represents the sales value of goods and services supplied.

	1985		1984	
	Turnover	Profit before tax	Turnover	Profit before tax
Record, tape and video products	<u>£43,478,205</u>	<u>£12,933,397</u>	<u>£41,075,589</u>	<u>£8,510,292</u>

Analysis of turnover by geographical area:-

	£	£
United Kingdom	22,690,504	24,687,020
Other than U.K.	20,787,701	16,388,569
	<u>43,478,205</u>	<u>41,075,589</u>

VIRGIN RECORDS LIMITEDNotes To The AccountsFor the year ended 31 January 1985

4. EMPLOYEE INFORMATION

- a) The average number of persons employed by the company during the year is as below:-

	1985 £	1984 £
Production	<u>107</u>	<u>64</u>

- b) The aggregate payroll costs of these persons were as follows:-

	1985 £	1984 £
Wages and salaries	997,933	778,512
Social security costs	98,036	84,095
	<u>1,095,969</u>	<u>862,607</u>

5. OPERATING PROFIT

1985	1984
£	£

Operating profit is stated after charging:

Depreciation of tangible fixed assets	73,449	53,905
Hire of plant and machinery	7,372	9,399
Auditors remuneration	13,000	15,000
Directors emoluments (see below)		

6. DIRECTORS' EMOLUMENTS

The emoluments of the directors, including pension contributions, were as follows:-

	1985 £	1984 £
As directors	-	-
For management services	91,833	74,377
	<u>91,833</u>	<u>74,377</u>

VIRGIN RECORDS LIMITEDNotes To The AccountsFor the year ended 31 January 1985

Directors' emoluments disclosed in accordance with section 231 of the Companies Act 1985, and excluding pension contributions, are as follows:-

Emoluments of the Chairman	Nil	Nil
Emoluments of the highest paid director	39,298	27,706

The emoluments of the other directors were within the following ranges:-

£0 to £5,000	5	4
£5,001 to £10,000	1	-
£10,001 to £15,000	1	-
£20,001 to £25,000	-	2
£25,001 to £30,000	-	-
£30,001 to £35,000	1	-

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is comprised of:-

	1985 £	1984 £
Deferred Taxation	8,139	-
Corporation tax @ 45.8% on the profit for the year	6,056,307	-
Group Relief	-	4,514,367
Underprovision in prior years	-	159,000
Overseas Taxation	265,770	84,696
Double tax relief	(265,770)	-
	<u>6,064,446</u>	<u>4,758,063</u>

The tax charge has been reduced by capital allowances £175,359 (1984:£92,482) and stock relief £3,008 (1984:£14,725).

8. STOCK

	1985 £	1984 £
Finished goods and goods for resale	<u>194,572</u>	<u>210,876</u>

9. DEBTORS

All amounts fall due within one year

	1985 £	1984 £
Trade debtors	4,542,090	3,133,147
Amounts due from Group companies	15,109,601	15,253,039
Other debtors	79,786	126,581
Prepayments and accrued income	31,766	477,940
	<u>19,763,243</u>	<u>18,990,707</u>

VIRGIN RECORDS LIMITEDNotes To The AccountsFor the year ended 31 January 1985

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1985 £	1984 £
Debenture Loans	1,665,268	1,544,608
Bank loans and overdrafts	-	62,462
Trade creditors	9,025,179	10,921,223
Amounts due to Group companies	1,072,770	4,105,609
Other Creditors	321,306	562,223
Accruals and deferred income	347,448	677,757
United Kingdom Corporation Tax	5,790,537	364,000
	<u>18,222,508</u>	<u>18,237,882</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1985 £	1984 £
Debenture Loans	-	333,333

12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation has been provided for the full potential liability calculated on the liability method.

	1985 £	1984 £
Accelerated capital allowances.	8,139	-
	<u>8,139</u>	<u>-</u>

13. SHARE CAPITAL

	1985 £	1984 £
Authorised: ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Issued, called up and fully paid: ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

14. CAPITAL EXPENDITURE APPROVED

No capital expenditure had been contracted for or approved by the Directors for the company. (1984 - Nil).

VIRGIN RECORDS LIMITEDNotes To The AccountsFor the year ended 31 January 1985

15. DIVIDEND

	1985 £	1984 £
Ordinary dividend of £400 per share (1984-£400)	<u>4,000,000</u>	<u>4,000,000</u>

16. HOLDING COMPANY

The holding company is Virgin Group Limited; a company incorporated in England.

17. CONTINGENT LIABILITY

The company in common with other subsidiaries of Virgin Group Limited has entered into guarantees in respect of bank overdrafts and other borrowings of certain Virgin Group companies. Certain of these guarantees are supported by mortgage debentures creating fixed and floating charges over the majority of the group's assets. The borrowings of these subsidiary companies at 31 January 1985 amounted to £2,179,000 (1984-£2,380,000).

18. INVESTMENTS

a) The following companies, all incorporated in England, were subsidiaries at 31 January 1985:-

	<u>Interest %</u>	<u>Nature of Business</u>
10 Records Ltd	92.5	Records & Tapes
Siren Records Ltd	80.0	Records & Tapes
Dindisc Ltd	100	Non-trader
Dinsong Ltd	100	Non-trader
Clifdayn Productions Ltd	100	Non-trader
Event Publishing Ltd	100	Non-trader
Gimble Productions Ltd	100	Non-trader
Virgin Books Ltd	100	Non-trader
Virgin Films Ltd	100	Non-trader
Virgin Video Ltd	100	Non-trader
Virgin TV Productions Ltd	100	Non-trader

b) Investment in other group company:
An investment amounting to 40% is held in a subsidiary of Virgin Holdings Limited, a fellow subsidiary of Virgin Group Limited.

c) Subsidiaries are shown in the Balance Sheet at cost.

VIRGIN RECORDS LIMITEDNotes The AccountsFor the year ended 31 January 1985

19. PROFIT AND LOSS ACCOUNT

	1985	1984
	£	£
Transfer to/(from) profit and loss account	2,868,951	(247,771)
Retained reserves at the beginning of the year.	1,231,357	1,046,882
Prior year adjustments resulting from an error in accounting treatment relating to advances received.	(432,246)	-
As restated	799,111	1,046,882
	<u>3,668,062</u>	<u>799,111</u>

20. POST BALANCE SHEET SHEET EVENT

Since 31st January 1985 the company has acquired the issued share capital of Charisma Records Limited for a consideration of £100,000.

21. INTEREST PAYABLE

Interest payable comprises the following:

	1985	1984
	£	£
Interest on other loans	17,905	15,978
Group Interest	118,592	148,020
	<u>136,497</u>	<u>163,998</u>

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Not for publication

VIRGIN RECORDS LIMITED

Profit and Loss Account for the year ended 31 January 1985

	£	<u>1985</u> £	<u>1984</u> £
Sales		43,478,205	41,075,589
Cost of sales		(26,769,545)	(28,254,189)
Gross Profit		16,708,660	12,821,400
Distribution costs		(1,377,571)	(1,468,462)
Administrative expenses			
Salaries)			862,607
Casual wages)	1,095,969		
Employers NIC)			90,897
Rent & Rates	36,653		8,147
Light, heat & power	3,253		35,570
Printing, postage & stationery	28,892		340,822
Telephone & Postage	316,500		36,112
Repairs and renewals	45,713		299,153
Legal & Professional fees	93,684		15,000
Audit & accountancy fees	13,000		9,519
Insurance	9,392		51,680
Bad debts	13,495		35,167
Bank charges	57,817		9,399
Equipment hire	7,372		2,535
Sundry expenses	206,894		21,373
Exchange translation	353,496		75,000
Loan written off	-		104,837
Motor expenses	125,162		212,932
Travelling & entertainment	224,696		59,220
Depreciation	73,449		696,667
Group service charge	325,000		(149,797)
Commissions on sales receivable	(106,666)		
		(2,923,771)	(2,806,840)
		12,407,318	8,546,098
Amounts written off investments		-	(24,483)
Interest payable		(136,497)	(163,998)
Interest receivable		662,576	152,675
Profit before tax		12,933,397	8,510,292