

VIRGIN RECORDS OVERSEAS LIMITED

ACCOUNTS

31 MARCH 1994

COMPANY'S REGISTERED NUMBER 1407770



VIRGIN RECORDS OVERSEAS LIMITEDReport of the directors

The directors present their annual report and accounts for the year ended 31 March 1994.

**PRINCIPAL ACTIVITIES**

During the year under review the company operated solely as an investment holding company. During the year under review the company disposed of its interest in five subsidiary undertakings with a book value of £15,315,697. The total consideration received was 128,993,094 resulting in a profit of £113,677,397.

**RESULTS**

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

**DIVIDENDS**

During the year the directors recommended and paid a dividend amounting to 113,611,781 (1993: £nil).

**DIRECTORS**

The directors of the company during the year were:

K M Berry  
S M McLeod

There are no directors' interests requiring disclosure under the Companies Act 1985.

**FIXED ASSETS**

The movements of fixed assets during the year are set out in note 9 to the accounts.

VIRGIN RECORDS OVERSEAS LIMITED

Report of the directors

AUDITORS

A resolution to reappoint Ernst & Young, as auditors, will be put to the members at the next Annual General Meeting.

By Order of The Board

*S Macleod*

S Macleod  
Secretary

4 Tenterden Street  
Hanover Square  
LONDON  
W1A 7AY

23 AUG 1994

Statement of Directors' Responsibilities

In Respect of the Accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to :

- . select suitable accounting policies and then apply them consistently;
- . make judgements and estimates that are reasonable and prudent;
- . state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- . prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

TO THE MEMBERS OF VIRGIN RECORDS OVERSEAS LIMITED

We have audited the accounts set out on pages 5 to 11 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

**Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

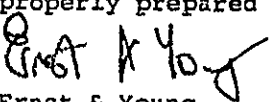
**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young  
Chartered Accountants  
Registered Auditor  
London

13rd August 1994

VIRGIN RECORDS OVERSEAS LIMITEDBalance sheet at 31 March 1994

|   | <u>Notes</u> | <u>31 March<br/>1994</u> | <u>31 March<br/>1993</u> |
|---|--------------|--------------------------|--------------------------|
|   |              | £                        | £                        |
| FIXED ASSETS                                      |              |                          |                          |
| Investments                                       | 9            | 8,886,305                | 13,695,524               |
| CURRENT ASSETS                                    |              |                          |                          |
| Debtors   | 10           | 27,060,079               | 11,156,915               |
| Cash at bank and in hand                          |              | -                        | 10,402                   |
|   |              | 27,060,079               | 11,167,317               |
| CREDITORS: AMOUNTS FALLING DUE<br>WITHIN ONE YEAR | 11           | (10,506,478)             | (720)                    |
| NET CURRENT ASSETS                                |              | 16,553,601               | 11,166,597               |
| TOTAL ASSETS LESS CURRENT LIABILITIES             |              | 25,439,906               | 24,862,121               |
|   |              | *****                    | *****                    |
| CAPITAL AND RESERVES                              |              |                          |                          |
| Called up share capital                           | 12           | 100                      | 100                      |
| Profit & loss account                             | 13           | 25,439,806               | 24,862,021               |
|   |              | 25,439,906               | 24,862,121               |
|   |              | *****                    | *****                    |

The notes on pages 7 to 11 form part of these accounts.

The accounts on pages 5 to 11 were approved by the Board of Directors on and signed on its behalf by:

SD Jacob

DIRECTOR

23 AUG 1994

VIRGIN RECORDS OVERSEAS LIMITED

Profit and loss account  
for the year ended 31 March 1994

|  | <u>Notes</u> | <u>Year ended</u><br><u>31 March</u><br><u>1994</u> | <u>8 Months ended</u><br><u>31 March</u><br><u>1993</u> |
|--|--------------|---|---|
|  |              | £   | £   |
| Turnover, income from shares in group undertakings     | 2            | -   | 8,872,101   |
| Exchange (loss)  |              | -   | (643,224)   |
| Other operating income                                 |              | 20  | -   |
| Interest receivable                                    | 5            | 512,149   | 11,608  |
| Operating profit                                       |              | <u>512,169</u>                                      | <u>8,240,485</u>  |
| Exceptional item:<br>Profit on disposal of investments | 6            | <u>113,677,397</u>                                  | <u>-</u>  |
| Profit on ordinary activities before taxation          | 3            | 114,189,566   | 8,240,485   |
| Tax on profit on ordinary activities                   | 7            | <u>-</u>  | <u>(414,250)</u>  |
| Profit on ordinary activities after taxation           |              | 114,189,566   | 7,826,235   |
| Dividends  | 8            | <u>(113,611,781)</u>                                | <u>-</u>  |
| Retained profit for the year                           |              | <u>577,785</u><br>*****                             | <u>7,826,235</u><br>*****                               |

A statement of movements on reserves is shown at note 13.

Statement of Total Recognised Gains and Losses  
for the Year Ended 31 March 1994

There are no recognised gains or losses attributable to the shareholders of the company in the year ended 31 March 1994 other than the profit of £114,189,566 and other than the profit of £7,826,235 for the eight months ended 31 March 1993.

VIRGIN RECORDS OVERSEAS LIMITEDNotes to the accounts  
for the year ended 31 March 1994

## 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) Accounting convention - The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards.
- b) Group Accounts - The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare group accounts.
- c) Cash Flow Statement - A cash flow statement is not prepared as the company is exempt by virtue of paragraph 8 of FRS 1 being a subsidiary undertaking of a parent undertaking registered in England and Wales which prepares a consolidated cash flow statement.
- d) Income from shares in group undertakings - Income from shares in group undertakings is stated inclusive of withholding tax deducted in the country of source but exclusive of local direct taxation.
- e) Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.
- f) Investments - Investments in subsidiary and associated undertakings are stated at cost less provision to reflect any permanent diminution in value.

## 2. TURNOVER

Turnover is dividends received from interests in overseas group undertakings.

## 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging.

|                         | Year ended<br>31 March 1994 | 8 Months ended<br>31 March 1993 |
|-------------------------|-----------------------------|---------------------------------|
|                         | £                           | £                               |
| Auditors' remuneration  | -                           | -                               |
| Directors' remuneration | -                           | -                               |



VIRGIN RECORDS OVERSEAS LIMITEDNotes to the accountsfor the year ended 31 March 1994

## 4. EMPLOYEE INFORMATION

The company had no employees during the year (1993: nil).

| 5. INTEREST RECEIVABLE                      | Year ended<br>31 March 1994 | 8 Months ended<br>31 March 1993 |
|---|-----------------------------|---------------------------------|
|   | £                           | £                               |
| Interest receivable from group undertakings | 512,149<br>=====            | 11,608<br>=====                 |

## 6. EXCEPTIONAL ITEMS

|                                   | Year ended<br>31 March 1994 | 8 Months ended<br>31 March 1993 |
|-----------------------------------|-----------------------------|---------------------------------|
|                                   | £                           | £                               |
| Profit on disposal of investments | 113,677,397<br>=====        | -<br>=====                      |

During the year the company acquired the entire share capital of Edition Virgin Musique SA from a fellow group undertaking for £10,506,478. This company was then disposed of to another group undertaking, together with four other subsidiary undertakings with a combined carrying value of £4,809,219. The total consideration received was £128,993,094 resulting in a profit of £113,677,397.

## 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the year comprises the following:

|                   | Year ended<br>31 March 1994 | 8 Months ended<br>31 March 1993 |
|-------------------|-----------------------------|---------------------------------|
|                   | £                           | £                               |
| Overseas taxation | -<br>=====                  | 414,250<br>=====                |

The company is primarily liable for UK corporation tax on its profits. However no provision has been made in the accounts for either current or deferred taxation as an undertaking has been received from its ultimate parent undertaking, THORN EMI plc, that the latter will assume responsibility for any such taxation so long as the company remains a subsidiary undertaking. In view of the undertaking received no disclosure is made in these accounts of any potential liability to taxation.

VIRGIN RECORDS OVERSEAS LIMITEDNotes to the accountsfor the year ended 31 March 1994

|                                    | Year ended<br>31 March 1994 | 8 Months ended<br>31 March 1993 |
|------------------------------------|-----------------------------|---------------------------------|
|                                    | £                           | £                               |
| 8. DIVIDENDS                       |                             |                                 |
| Ordinary - interim paid            | 113,611,781<br>*****        | -<br>*****                      |
| 9. INVESTMENTS                     | £                           |                                 |
| COST                               |                             |                                 |
| At 1 April 1993                    | 13,976,292                  |                                 |
| Additions                          | 10,506,478                  |                                 |
| Disposals                          | (15,315,697)                |                                 |
| PROVISIONS                         |                             |                                 |
| At 31 March 1993 and 31 March 1994 | (280,768)                   |                                 |
| NET BOOK VALUE                     | 8,886,305<br>*****          |                                 |

The above amounts represent shares in group undertakings.

The following were the principal subsidiary undertakings of Virgin Records Overseas Limited at 31 March 1994.

| <u>Subsidiary undertakings</u>             | <u>Country of<br/>incorporation</u> | <u>Proportion<br/>held</u> | <u>Nature of business</u> |
|--|-------------------------------------|----------------------------|---------------------------|
| Virgin Australia Pty Ltd                   | Australia                           | 100%                       | Records                   |
| Virgin Australia Music Pty Ltd             | Australia                           | 100%                       | Music publishing          |
| Virgin Belgium SA                          | Belgium                             | 100%                       | Marketing and promotion   |
| Virgin Belgium Publishing SA               | Belgium                             | 100%                       | Music publishing          |
| Virgin Benelux BV                          | Netherlands                         | 100%                       | Records                   |
| Virgin Benelux Publishing SA               | Netherlands                         | 100%                       | Music publishing          |
| Virgin Records Canada Inc                  | Canada                              | 100%                       | Records                   |
| Virgin Vision Canada Inc                   | Canada                              | 100%                       | Video                     |
| Virgin Records Denmark Aps                 | Denmark                             | 100%                       | Marketing and promotion   |
| Ediciones Musicales Virgin SA              | Spain                               | 100%                       | Music publishing          |
| Virgin France SAE                          | France                              | 100%                       | Records                   |
| Diski Virgin EPE                           | Greece                              | 100%                       | Records                   |
| Virgin Music EPE                           | Greece                              | 100%                       | Music publishing          |
| Virgin Holdings BV                         | Netherlands                         | 100%                       | Holding company           |
| Virgin Japan Ltd                           | Japan                               | 100%                       | Records                   |
| Virgin Records (N.Z.) Ltd                  | New Zealand                         | 100%                       | Records                   |
| Virgin Records Norway AS                   | Norway                              | 100%                       | Marketing and promotion   |
| Virgin Music AB                            | Sweden                              | 100%                       | Music publishing          |
| Virgin Music Publishers                    | Germany                             | 100%                       | Music Publishing          |
| Virgin Schallplatten GmbH Co.KG            |                                     |                            |                           |
| Virgin Records America Inc                 | USA                                 | 100%                       | Records                   |
| Virgin Music America Inc                   | USA                                 | 100%                       | Holding company           |
| Cardiac Records Inc                        | USA                                 | 100%                       | Records                   |
| Caroline Records Calif. Inc                | USA                                 | 100%                       | Records                   |
| Charisma Records America Inc               | USA                                 | 100%                       | Records                   |
| Caroline Records Inc                       | USA                                 | 100%                       | Records                   |
| Virgin Holdings Inc                        | USA                                 | 100%                       | Holding company           |
| Virgin Music Inc                           | USA                                 | 100%                       | Music publishing          |
| Virgin Songs Inc                           | USA                                 | 100%                       | Music publishing          |
| Virgin Oil & Gas Inc                       | USA                                 | 100%                       | Oil exploration           |
| Virgin Records Inc                         | USA                                 | 100%                       | Records                   |
| Virgin Records (Hong Kong) Ltd             | Hong Kong                           | 100%                       | Records                   |
| Virgin Music Publishers<br>(Hong Kong) Ltd | Hong Kong                           | 100%                       | Music publishing          |
| Virgin Music Japan Limited                 | Japan                               | 100%                       | Music publishing          |

The company directly holds shares in:

Virgin Holdings BV  
Virgin Holdings Inc

The other subsidiary undertakings are held indirectly.

Notes to the accounts  
for the year ended 31 March 1994

## 10. DEBTORS

|   | 31 March<br>1994 | 31 March<br>1993 |
|---|------------------|------------------|
|   | £                | £                |
| Amounts owed by subsidiary undertakings | -                | 3,310,116        |
| Amounts owed by group undertakings      | 27,060,079       | 7,846,799        |
|   | <hr/> 27,060,079 | <hr/> 11,156,915 |
|   | =====            | =====            |

## 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|   | 31 March<br>1994 | 31 March<br>1993 |
|---|------------------|------------------|
|   | £                | £                |
| Amounts owed to fellow subsidiary undertakings            | 10,506,478       | -                |
| Other creditors including taxation<br>and social security | -                | 720              |
|   | <hr/> 10,506,478 | <hr/> 720        |
|   | =====            | =====            |

## 12. SHARE CAPITAL

|   | 31 March<br>1994 | 31 March<br>1993 |
|---|------------------|------------------|
|   | £                | £                |
| Authorised:<br>100 ordinary shares of £1 each                         | 100              | 100              |
|   | ===              | ===              |
| Allotted, called-up and fully paid:<br>100 ordinary shares of £1 each | 100              | 100              |
|   | ===              | ===              |

## 13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVE

|                     | SHARE CAPITAL | PROFIT AND LOSS<br>ACCOUNT | TOTAL            |
|---------------------|---------------|----------------------------|------------------|
|                     | £             | £                          | £                |
| At 1 August 1992    | 100           | 17,035,786                 | 17,035,886       |
| Profit for period   | -             | 7,826,235                  | 7,826,235        |
|                     | <hr/> 100     | <hr/> 24,862,021           | <hr/> 24,862,121 |
| At 1 April 1993     | 100           | 24,862,021                 | 24,862,121       |
| Profit for the year | -             | 577,785                    | 577,785          |
|                     | <hr/> 100     | <hr/> 25,439,806           | <hr/> 25,439,906 |
| At 31 March 1994    | 100           | 25,439,806                 | 25,439,906       |
|                     | =====         | =====                      | =====            |

VIRGIN RECORDS OVERSEAS LIMITEDNotes to the accounts  
for the year ended 31 March 1994

## 14. CONTINGENT LIABILITIES

The company has undertaken together with other UK undertakings within the THORN EMI plc group to give joint and several guarantees to the bank in respect of amounts due to the bank from the company and group other undertakings.

## 15. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking at 31 March 1994 was THORN EMI plc, a company registered in England and Wales. The parent undertaking of the largest and smallest groups of undertakings for which group accounts are drawn up and of which the company is a member is THORN EMI plc. Copies of THORN EMI plc's accounts can be obtained from:-

THORN EMI plc  
4 Tenterden Street  
Hanover Square  
London  
ENGLAND  
W1A 7AY.