

VIRGIN RECORDS OVERSEAS LIMITED

REPORT AND ACCOUNTS

31 MARCH 1995

COMPANY'S REGISTRATION NUMBER 1407770



VIRGIN RECORDS OVERSEAS LIMITEDReport of the directors

The directors present their report and the accounts for the year ended 31 March 1995.

#### PRINCIPAL ACTIVITIES

The company's principal activity is as an investment holding company.

#### RESULTS AND DIVIDENDS

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

The directors recommended and paid a dividend amounting to £ 7,870,754 (1994: £113,611,781).

#### DIRECTORS AND THEIR INTERESTS

The directors of the company during and after the year were:

K M Berry	resigned	1 April 1994
S M Macleod	resigned	1 April 1994
W MacMillan	appointed	1 April 1994
P Robinson	appointed	18 September 1995

In addition W MacMillan resigned on the 15 September 1995.

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

Report of the directors

AUDITORS

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

By Order of the Board

A handwritten signature in black ink, appearing to be 'P. Robinson', with a horizontal line underneath the name.

P Robinson  
Director

Kensal House  
553-579 Harrow Road  
LONDON  
W10 4RH

24<sup>th</sup> November 1995

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 AUDITORSTO THE MEMBERS OF VIRGIN RECORDS OVERSEAS LIMITED

We have audited the accounts on pages 5 to 12 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.

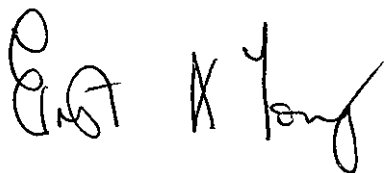
Basis of opinion

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 1995 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
London

Stm Jeaser 1995

Profit and Loss account  
for year ended 31 March 1995

	Notes	1995	1994
		£	£
Turnover, income from shares in group undertakings	2	-	-
Other operating income		-	20
Interest receivable	5	222,872	512,149
Operating profit before exceptional item		222,872	512,169
Profit on disposal of investments	6	-	113,677,397
Operating profit on ordinary activities after exceptional item before taxation	3	222,872	114,189,566
Tax on profit on ordinary activities	7	-	-
Profit on ordinary activities after taxation		222,872	114,189,566
Dividends	8	(7,870,754)	(113,611,781)
Retained (loss) / profit for the year		(7,647,882)	577,785

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

Statement Of Total Recognised Gains And Losses

For The Year Ended 31 March 1995

There are no recognised gains and losses attributable to the shareholders of the company other than the loss of £ 7,647,882 in the year ended 31 March 1995 and profit of £577,785 for the year ended 31 March 1994.

Balance sheet at 31 March 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Investments	9	8,886,305	8,886,305
CURRENT ASSETS			
Debtors	10	8,905,719	27,060,079
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	-	(10,506,478)
NET CURRENT ASSETS		17,792,024	16,553,601
TOTAL ASSETS LESS CURRENT LIABILITIES		17,792,024	25,439,906
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit & loss account	13	17,791,924	25,439,806
		17,791,924	25,439,906

The notes on pages 7 to 12 form part of these accounts.

The accounts on pages 5 to 12 were approved by the Board of Directors and signed on its behalf by:

  
P Robinson  
DIRECTOR

24 November 1995

Notes to the accounts

for the year ended 31 March 1995

1. ACCOUNTING POLICIES

The following accounting policies have been applied 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) Foreign Exchange - 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

There was no turnover during the year. Previously turnover has comprised of dividends received from interests in overseas group undertakings.



Notes to the accounts

for the year ended 31 March 1995

3. PROFIT ON ORDINARY ACTIVITIES AFTER EXCEPTIONAL ITEM BEFORE TAXATION

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

	1995	1994
	£	£
Auditors' remuneration	-	-
Directors' remuneration	-	-

4. EMPLOYEE INFORMATION

The company had no employees during the year (1994: nil).

5. INTEREST RECEIVABLE

	1995	1994
	£	£
Interest receivable from group undertakings	<u>222,872</u>	<u>512,149</u>

6. PROFIT ON DISPOSAL OF INVESTMENTS

	1995	1994
	£	£
Profit on disposal of investments	<u>-</u>	<u>113,677,397</u>

During 1994 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.

Notes to the accounts  
for the year ended 31 March 1995

7. TAX ON PROFIT ON ORDINARY ACTIVITIES AFTER EXCEPTIONAL ITEM

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.

8. DIVIDENDS	1995	1994
	£	£
Ordinary - interim paid	<u>7,870,754</u>	<u>113,611,781</u>
9. INVESTMENTS	£	
a) SHARES IN GROUP UNDERTAKING		
Cost		
At 1 April 1994 and 31 March 1995	9,167,073	
PROVISIONS		
At 31 March 1994 and 31 March 1995	(280,768)	
NET BOOK VALUE		
At 1 April 1994 and 31 March 1995	<u>8,886,305</u>	

In the opinion of the directors the value of the investments is at least equal to their carrying value.

VIRGIN RECORDS OVERSEAS LIMITEDNotes to the accountsfor the year ended 31 March 1995

## INVESTMENTS (Continued)

## b) PRINCIPAL SUBSIDIARY UNDERTAKINGS

The following were the principal subsidiary undertakings of Virgin Records Overseas Limited at 31 March 1995:

<u>Subsidiary undertakings</u>	<u>Country of incorporation</u>	<u>Proportion 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 (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.

VIRGIN RECORDS OVERSEAS LIMITEDNotes to the accountsfor the year ended 31 March 1995

10. DEBTORS	1995	1994	
	£	£	
Amounts owed by group undertakings	<u>8,905,719</u>	<u>27,060,079</u>	
11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1995	1994	
	£	£	
Amounts owed to fellow subsidiary undertakings	-	10,506,478	
	<u>          </u>	<u>          </u>	
12. SHARE CAPITAL	1995	1994	
Authorised:	£	£	
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>	
Allotted, called up and fully paid:			
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>	
13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES			
	Share Capital	Profit and Loss	Total
	£	£	£
At 1 April 1993	100	24,862,021	24,862,121
Profit for year	-	577,785	577,785
	<hr/>	<hr/>	<hr/>
At 1 April 1994	100	25,439,806	25,439,906
Loss for the year	-	(7,647,882)	(7,647,882)
	<hr/>	<hr/>	<hr/>
At 31 March 1995	<u>100</u>	<u>17,791,924</u>	<u>17,792,024</u>

Notes to the accounts  
for the year ended 31 March 1995

14. CONTINGENT LIABILITIES

The company has undertaken together with certain 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 other group undertakings.

15. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking at 31 March 1995 was THORN EMI plc. The parent undertaking of the largest and smallest group 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 Street  
London  
W1A 7AY  
ENGLAND