

Virgin Record Classics Limited

Registered No. 2074980

DIRECTORS

G J Hopkins	(resigned 7 August 1995)
J A King	
I L Emberey	(resigned 18 July 1995)
I L Hanson	(appointed 7 August 1995)
W Macmillan	(appointed 28 September 1995)

SECRETARY

G J Hopkins	(resigned 7 August 1995)
I L Hanson	(appointed 7 August 1995)

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

REGISTERED OFFICE

EMI House
43 Brook Green
London W6 7EF



DIRECTORS' REPORT

The directors present their Annual Report and Accounts for the year ended 31 March 1995.

PRINCIPAL ACTIVITIES, TRADING REVIEW AND FUTURE DEVELOPMENTS

The company did not trade in the year and is unlikely to do so in the foreseeable future.

The directors do not recommend payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors of the company are listed on page 1.

The directors are not subject to retirement by rotation or otherwise.

The only interest held by the directors in office at the year end in the share capital and loan stocks of the company's ultimate parent undertaking, THORN EMI plc, or any subsidiary undertakings thereof, were Ordinary Shares and options to purchase Ordinary Shares of THORN EMI plc, granted in accordance with the provisions of that company's Share Option Schemes, as follows:

	31 March 1995		31 March 1994	
	Options over		Options over	
	Ordinary	Ordinary	Ordinary	Ordinary
	shares	shares	shares	shares
Mr G J Hopkins	2,466	69,764	—	69,516
Mr J A King	—	2,348	—	1,298
Mr I L Emberey	—	8,692	—	865

During the year, Mr G J Hopkins was granted 4,931 Ordinary shares and a further Option over 248 Ordinary shares. Mr J A King was granted 3,447 Ordinary shares and a further Option over 1,050 Ordinary shares. Mr I L Emberey was granted a further Option over 7,827 Ordinary shares. All Ordinary shares and Options granted were in THORN EMI plc.

Mr G J Hopkins had an interest in 200 Ordinary shares of 25 pence each in Thames Television plc at 31 March 1995 and 31 March 1994.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE


The company's ultimate parent has maintained insurance to cover the directors' and officers' liability as defined by section 310 (3) (a) Companies Act 1985 (as amended).

AUDITORS

In accordance with Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. Accordingly, Ernst & Young shall be deemed to be reappointed as auditors.

By order of the board

Company Secretary


30 January 1996

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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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 Record Classics Limited

We have audited the accounts on pages 5 and 6 which have been prepared under the historical cost convention and on the basis of the accounting policy set out on page 6.

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.

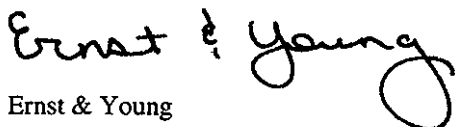
Basis of opinion

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.

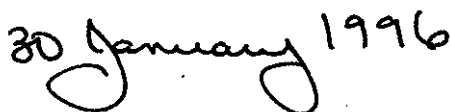
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. 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 have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young
Chartered Accountants
Registered Auditor
London

A handwritten date in cursive script that reads '30 January 1996'.

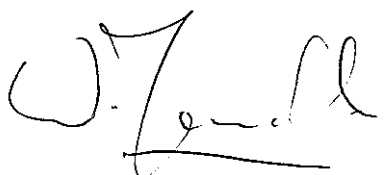
Virgin Record Classics Limited

BALANCE SHEET

at 31 March 1995

	Notes	1995 £	1994 £
CURRENT LIABILITIES			
CREDITORS: amounts falling due within one year	6	(15,605,433)	(15,605,433)
CAPITAL AND RESERVES			
Called up share capital	7	100	100
Profit and loss account		(15,605,533)	(15,605,533)
SHAREHOLDERS' FUNDS		(15,605,433)	(15,605,433)

Director


30 January 1996

NOTES TO THE ACCOUNTS

at 31 March 1995

1. ACCOUNTING POLICY

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts have been prepared on the going concern basis in view of an undertaking given by the company's ultimate parent undertaking to support the company's operations in the foreseeable future.

2. DIRECTORS' REMUNERATION

None of the directors received any emoluments from the company during the year (1994 – £nil).

3. EMPLOYEES

No persons were employed by the company during the year (1994 – nil).

4. PROFIT AND LOSS ACCOUNT

During the year the company has not traded on its own account, has not incurred any liabilities and consequently has made neither profit nor loss.

5. TAXATION

The company is primarily liable for UK Corporation Tax on its profits. However, no provision has been made in these 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 all liability for any such taxation for accounting periods ending up to 31 March 1995, so long as the company remains a subsidiary undertaking. In view of the undertaking received, no disclosures is made in these accounts of any potential liability to taxation.

6. CREDITORS: amounts falling due within one year

	1995	1994
	£	£
Amounts owed to group undertakings	15,605,433	15,605,433

7. SHARE CAPITAL

	1995	1994
	£	£
Authorised, allotted, called up and fully paid:		
100 Ordinary shares of £1 each	100	100

8. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

As the company did not trade during the year and as there were no movements in shareholders' funds, a statement of total recognised gains and losses and a reconciliation of movement in shareholders' funds have not been prepared.

9. PARENT UNDERTAKING

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is THORN EMI plc which is the ultimate parent undertaking and is registered in England and Wales. Copies of THORN EMI plc's accounts can be obtained from THORN EMI plc, 4 Tenterden Street, Hanover Square, London W1A 2AY, England.