

Quicksilver Recording Company Limited

Registered No. 2281402

DIRECTORS

T C Fisher
A J Lauder
A G S Lawrie
A G Pye

SECRETARY

M A Howle

AUDITORS

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

REGISTERED OFFICE

1 Sussex Place
Hammersmith
London W6 9XS

 ERNST & YOUNG



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COMPANIES HOUSE 31/10/96

Quicksilver Recording Company Limited

DIRECTORS' REPORT

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

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £329,229 (1994 – loss of £441,280) which is to be transferred to reserves. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

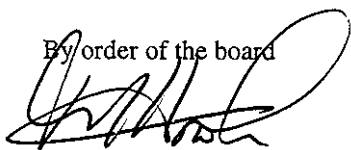
The company continued the business of a record company in 1995. This situation is expected to continue in the coming year.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year ended 31 December 1995 were those listed on page 1.

At no time during the year ended 31 December 1995 did any director have any interest which is required by Section 324 of the Companies Act 1985 to be notified to the company.

By order of the board



Secretary

30 OCT 1996

Quicksilver Recording Company Limited

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 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 Quicksilver Recording Company Limited

We have audited the accounts 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.

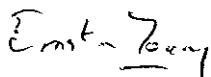
Basis of opinion

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



Ernst & Young
Chartered Accountants
Registered Auditor
London

71 October 1996

Quicksilver Recording Company Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1995

	Notes	1995 £	1994 £
TURNOVER	2	257,473	425,034
Direct costs		(703,018)	(714,492)
Gross loss		(445,545)	(289,458)
Administration expenses		(328,558)	(363,822)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(774,103)	(653,280)
Tax on loss on ordinary activities	6	444,874	212,000
RETAINED LOSS FOR THE YEAR		(329,229)	(441,280)
Retained loss brought forward		(1,860,535)	(1,419,255)
RETAINED LOSS CARRIED FORWARD		(2,189,764)	(1,860,535)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

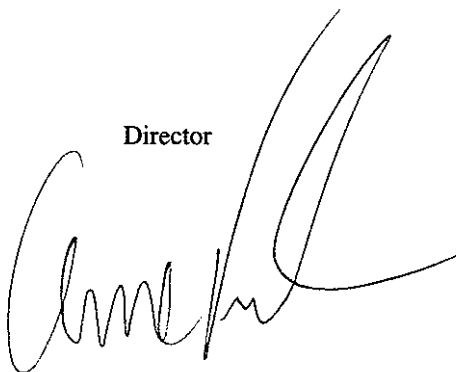
A statement of total recognised gains and losses has not been provided since there are no recognised gains or losses other than the loss for the year.

Quicksilver Recording Company Limited

BALANCE SHEET at 31 December 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible assets	7	6,287	9,632
CURRENT ASSETS			
Debtors	8	1,290,877	21,652
Cash at bank and in hand		619	—
		1,291,496	21,652
CREDITORS: amounts falling due within one year	9	(3,472,545)	(1,891,817)
NET CURRENT LIABILITIES		(2,181,049)	(1,870,165)
TOTAL ASSETS LESS CURRENT LIABILITIES		(2,174,762)	(1,860,533)
CREDITORS: amounts falling due after more than one year			
Deferred taxation		(15,000)	—
NET LIABILITIES		(2,189,762)	(1,860,533)
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	(2,189,764)	(1,860,535)
		(2,189,762)	(1,860,533)

Director



30 OCT 1996

Quicksilver Recording Company Limited

NOTES TO THE ACCOUNTS

at 31 December 1995

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The accounts have been prepared on a going concern basis as the company has received confirmation from the UK parent undertaking that it will continue to provide financial support for the foreseeable future.

Advance royalties paid

For advances to artists and repertoire owners, each contract is appraised individually and the value of the unrecovered portion is determined by the prospects of future recoupment taking into account current popularity and sales.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Plant and machinery – over 5 years

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

2. TURNOVER

Turnover and pre-tax profit are attributable to one activity, the sale of pre-recorded music.

Turnover is derived exclusively from the United Kingdom.

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	1995 £	1994 £
Depreciation	3,345	3,398
Certain administration expenses are borne by other UK group undertakings.		

4. DIRECTORS' REMUNERATION

	1995 £	1994 £
Director's remuneration	149,592	125,000
Other emoluments (including pension contributions)	–	–
The emoluments of the chairman (also the highest paid director)	149,592	125,000

Quicksilver Recording Company Limited

NOTES TO THE ACCOUNTS at 31 December 1995

4. DIRECTORS' REMUNERATION (continued)

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	1995 No.	1994 No.
£nil – £5,000	3	3
£120,001 – £125,000	–	1
£145,001 – £150,000	1	–
	<u> </u>	<u> </u>

5. STAFF COSTS (including directors' remuneration)

	1995 £	1994 £
Wages and salaries	249,363	215,275
Social security costs	11,351	10,455
	<u>260,714</u>	<u>225,730</u>

The average weekly number of employees (including directors) during the year was 7.

6. TAX ON LOSS ON ORDINARY ACTIVITIES

Corporation tax has been provided at 33% for the year to 31 December 1995 (1994 – 33%).

	1995 £	1994 £
Current year:		
Group relief receivable	301,000	212,000
Deferred taxation	(15,000)	–
Prior years:		
Group relief receivable	158,874	–
	<u>444,874</u>	<u>212,000</u>

Quicksilver Recording Company Limited

NOTES TO THE ACCOUNTS at 31 December 1995

7. TANGIBLE FIXED ASSETS

	<i>Plant and machinery</i> £	<i>Total</i> £
Cost:		
At 1 January 1995	16,634	16,634
Additions	—	—
At 31 December 1995	16,634	16,634
Depreciation:		
At 1 January 1995	7,002	7,002
Provided during year	3,345	3,345
At 31 December 1995	10,347	10,347
Net book value:		
At 31 December 1995	6,287	6,287
At 1 January 1995	9,632	9,632

8. DEBTORS

	<i>1995</i> £	<i>1994</i> £
Recoverable advances and product masters	202,315	—
Amounts due from group undertakings	1,071,048	—
Prepayments	17,514	21,652
	1,290,877	21,652

9. CREDITORS: amounts falling due within one year

	<i>1995</i> £	<i>1994</i> £
Amounts due to group undertakings	3,279,263	1,651,344
Other creditors and accruals	193,282	240,473
Other taxes and social security	—	—
	3,472,545	1,891,817

Quicksilver Recording Company Limited

NOTES TO THE ACCOUNTS at 31 December 1995

10. DEFERRED TAXATION

Future tax relief not taken up in the accounts should be available on the following items:

	1995 £	1994 £
Tax losses which have not been relieved	—	—
Other timing differences which should produce future tax relief	15,000	123,000

11. SHARE CAPITAL

	1995 No.	Authorised 1994 No.	Allotted, called up and fully paid 1995 £	1994 £
Ordinary shares of £1 each	1,000	1,000	2	2

12. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 January 1994	2	(1,419,255)	(1,419,253)
Loss for the year	—	(441,280)	(441,280)
At 1 January 1995	2	(1,860,535)	(1,860,533)
Loss for the year	—	(329,229)	(329,229)
At 31 December 1995	2	(2,189,764)	(2,189,762)

Quicksilver Recording Company Limited

NOTES TO THE ACCOUNTS at 31 December 1995

13. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Philips Electronics N.V., incorporated in The Netherlands, and the parent undertaking of the smallest such group is PolyGram N.V., incorporated in The Netherlands. Copies of Philips Electronics N.V.'s accounts can be obtained from:

Philips Electronics N.V.
Corporate Finance Securities
Groenewoudseweg 1
5621 BA EINDHOVEN
The Netherlands

and copies of PolyGram N.V.'s accounts can be obtained from:

PolyGram N.V.
Gerrit van der Veenlaan 4
3743 DN BAARN
The Netherlands

14. FINANCIAL SUPPORT

PolyGram Record Operations have contractually undertaken to continue financial support until 5 April 1997.