

# **Quicksilver Recording Company Limited**

## **Directors' report and financial statements**

**31 December 1996**

Registered number 2281402



# Quicksilver Recording Company Limited

## Directors' report and financial statements

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# Quicksilver Recording Company Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

### Results and dividends

The loss for the year after taxation amounted to £934,594 (*1995: loss of £329,229*) 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 1996. This situation is expected to continue in the coming year.

### Directors and their interests

The directors who served during the year ended 31 December 1996 were as follows:

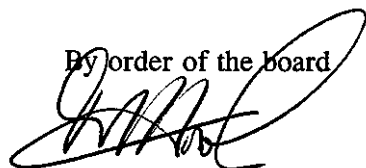
GS Barwood	(appointed 2 May 1997)
C Sugrue	(appointed 28 April 1997)
TC Fisher	(resigned 2 May 1997)
AJ Lauder	(resigned 5 April 1997)
AGS Lawrie	(resigned 2 May 1997)
AG Pye	(resigned 2 May 1997)

At no time during the year ended 31 December 1996 did any director have any interest which is required by section 324 of the Companies Act 1985 to be notified to the company.

### Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**M Howle**  
Secretary

1 Sussex Place  
Hammersmith  
London W6 9XS

# Quicksilver Recording Company Limited

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

## Auditors' report to the members of Quicksilver Recording Company Limited

We have audited the financial statements on pages 4 to 12.

### *Respective responsibilities of directors and auditors*

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*

Chartered Accountants  
Registered Auditors

29 October 1997

# Quicksilver Recording Company Limited

## Profit and loss account

for the year ended 31 December 1996

	<i>Note</i>	<b>1996</b> £	<b>1995</b> £
<b>Turnover</b>	<b>2</b>	<b>182,825</b>	257,473
<b>Direct costs</b>		<b>(968,732)</b>	(703,018)
<b>Gross loss</b>		<b>(785,907)</b>	(445,545)
<b>Administration expenses</b>		<b>(502,687)</b>	(328,558)
<b>Loss on ordinary activities before taxation</b>	<b>3</b>	<b>(1,288,594)</b>	(774,103)
<b>Tax on loss on ordinary activities</b>	<b>6</b>	<b>369,000</b>	444,874
<b>Loss on ordinary activities after taxation</b>		<b>(919,594)</b>	(329,229)
<b>Retained loss brought forward</b>		<b>(2,189,764)</b>	(1,860,535)
<b>Retained loss carried forward</b>		<b>(3,109,358)</b>	(2,189,764)

The results set out above are all derived from continuing activities.

There is no material difference between the results as set out above and those on an unmodified historical cost basis.

## 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 profit for the year.

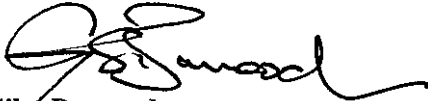
# Quicksilver Recording Company Limited

## Balance sheet

at 31 December 1996

	Note	1996 £	1995 £
<b>Fixed assets</b>			
Tangible assets	7	<u>2,921</u>	<u>6,287</u>
<b>Current assets</b>			
Debtors	8	1,447,640	1,290,877
Cash at bank and in hand		<u>2,169</u>	<u>619</u>
		1,449,809	1,291,496
<b>Creditors: amounts falling due within one year</b>	9	<u>(4,562,086)</u>	<u>(3,472,545)</u>
<b>Net current liabilities</b>		<u>(3,112,277)</u>	<u>(2,181,049)</u>
<b>Total assets less current liabilities</b>		<u>(3,109,356)</u>	<u>(2,174,762)</u>
<b>Creditors: amounts falling due after more than one year</b>		<u>-</u>	<u>(15,000)</u>
<b>Net liabilities</b>		<u>(3,109,356)</u>	<u>(2,189,762)</u>
<b>Capital and reserves</b>			
Called up share capital	11	2	2
Profit and loss account		<u>(3,109,358)</u>	<u>(2,189,764)</u>
<b>Equity shareholders' deficit</b>	12	<u>(3,109,356)</u>	<u>(2,189,762)</u>

These financial statements were approved by the board of directors on 28/10/97 and were signed on its behalf by:

  
Giles Barwood  
Director

# Quicksilver Recording Company Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### *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 a going concern basis at the company has received confirmation from the UK parent undertaking that it will continue to provide financial support for the foreseeable future.

#### *Financial Reporting Standard 1 (revised 1996)*

The company is exempt from the requirements of Financial Reporting Standard No. 1 (revised) to prepare a cash flow statement as it is a subsidiary undertaking where 90% or more of the voting rights are controlled within the PolyGram N.V. group and the consolidated financial statements of PolyGram N.V., in which the company is included, are publicly available.

#### *Financial Reporting Standard 8*

The company has taken advantage of the exemption in Financial Reporting Standard 8 not to disclose related party transactions with PolyGram N.V. and its subsidiaries.

#### *Advance royalties paid*

For advances to artists and repertoire owners, each contract is appraised individually and the value of 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
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#### *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.



# Quicksilver Recording Company Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *Pensions and other post retirement benefits*

The company is a member of the Philips Pension Fund which is a funded defined benefit scheme. Contributions to this group scheme are based on a common rate throughout the Philips group and are assessed on a triennial basis in accordance with the advice of a qualified actuary using the projected unit method. Pension costs are charged to the profit and loss account so as to spread the cost over employees' working lives within the group. Actuarial surpluses and deficits are amortised on a straight line basis over the average remaining service lives of the employees.

### 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:

	1996	1995
	£	£
Depreciation	<u>3,366</u>	<u>3,345</u>

Certain administration expenses are borne by other UK group undertakings.

# Quicksilver Recording Company Limited

## Notes (continued)

### 4 Directors' remuneration

	1996 £	1995 £
Directors' remuneration	<u>151,249</u>	<u>149,592</u>
The emoluments of the chairman (also the highest paid director)	<u>151,249</u>	<u>149,592</u>

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

	1996 No	1995 No
£nil - £5,000	3	3
£145,001 - £150,000	-	1
£150,001 - £155,000	<u>1</u>	<u>-</u>

### 5 Staff numbers and costs

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

The average payroll costs of these persons were as follows:

	1996 £	1995 £
Wages and salaries	291,159	249,363
Social security costs	<u>12,010</u>	<u>11,351</u>
	<u>303,169</u>	<u>260,714</u>

# Quicksilver Recording Company Limited

## Notes (continued)

### 6 Tax on loss on ordinary activities

Corporation tax has been provided at 33% (1995: 33%).

	1996 £	1995 £
<i>Current year:</i>		
Group relief receivable	354,000	301,000
Deferred taxation	15,000	(15,000)
<i>Prior years:</i>		
Group relief receivable	-	158,874
	<u>369,000</u>	<u>444,874</u>

### 7 Tangible fixed assets

	Plant and machinery £	Total £
<b>Cost</b>		
At 31 December 1995 and 31 December 1996	16,634	16,634
<b>Depreciation</b>		
At 31 December 1995	10,347	10,347
Provided during the year	3,366	3,366
At 31 December 1996	13,713	13,713
<b>Net book value</b>		
At 31 December 1996	2,921	2,921
At 31 December 1995	6,287	6,287

# Quicksilver Recording Company Limited

## Notes (continued)

### 8 Debtors: amounts falling due within one year

	1996 £	1995 £
Recoverable advances and product masters	35,806	202,315
Amounts due from group undertakings	1,029,737	1,071,048
Prepayments	28,097	17,514
Group relief receivable	354,000	-
	<u>1,447,640</u>	<u>1,290,877</u>

### 9 Creditors: amounts falling due within one year

	1996 £	1995 £
Amounts due to group undertakings	4,401,603	3,279,263
Other creditors and accruals	160,483	193,282
	<u>4,562,086</u>	<u>3,472,545</u>

### 10 Deferred taxation

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

	1996 £	1995 £
Tax losses which have not been relieved	-	-
Other timing differences which should produce future tax relief	<u>43,915</u>	<u>15,000</u>

# Quicksilver Recording Company Limited

Notes *(continued)*

## 11 Share capital

	Authorised		Allotted, called up and fully paid	
	1996	1995	1996	1995
	No	No	£	£
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>2</u>	<u>2</u>

## 12 Reconciliation of movement on equity shareholders' deficit and reserves

	Share capital £	Profit and loss £	Total £
At 1 January 1995	2	(1,860,535)	(1,860,533)
Loss for the year	-	(329,229)	(329,229)
	<u>2</u>	<u>(329,229)</u>	<u>(329,229)</u>
At 1 January 1996	2	(2,189,764)	(2,189,762)
Loss for the year	-	(919,594)	(919,594)
	<u>2</u>	<u>(919,594)</u>	<u>(919,594)</u>
At 31 December 1996	<u>2</u>	<u>(3,109,358)</u>	<u>(3,109,358)</u>

# Quicksilver Recording Company Limited

## Notes *(continued)*

### 13 Pension scheme

As explained in the accounting policies set out on page 7, the company's employees are entitled to membership of the Philips Pension Fund which is a funded defined benefit scheme.

Valuations are carried out on a triennial basis. The most recent valuation was undertaken by the independent actuaries, Bacon & Woodrow, as at 31 March 1995 using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be 9% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 4.5% per annum.

The 31 March 1995 valuation showed that the market value of the scheme's assets was £1,312 million and that the actuarial value of those assets represented 121% of the benefits which had accrued to members, after allowing for expected future increases in earnings.

The pensions charge for the period of £nil (1995: £nil) included £1.3 million (1995: £1.3 million) in respect of the amortisation of the actuarial surplus that is being recognised over 27 years, the average remaining service lives of employees.

There are no outstanding or prepaid contributions at either the beginning or end of the financial year as the company has followed the actuarial recommendation that its contributions to the fund be suspended until 31 December 1999. The company's and employees' contributions currently at rates of 12.3% and 6% of earnings respectively, will continue after this 'holiday' period.

### 14 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