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VIRGIN RETAIL GROUP LIMITED  
(Formerly Natlute Limited)

ACCOUNTS

31ST JULY 1990



VIRGIN RETAIL GROUP LIMITED  
(formerly Natlute Limited)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE PERIOD 27TH APRIL 1989 - 31ST JULY 1990

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VIRGIN RETAIL GROUP LIMITED  
(Formerly Natlute Limited)

DIRECTORS AND ADVISERS

DIRECTORS

R C N Branson  
T M Abbott  
K M Berry  
R H F Devereux  
J S Draper

SECRETARY

R P Flynn

REGISTERED OFFICE

120 Campden Hill Road  
London W8 7AR

AUDITORS

KPMG Peat Marwick McLintock  
1 Puddle Dock  
Blackfriars  
London EC4V 3PD

PRINCIPAL BANKERS

Lloyds Bank Plc  
132 Regent Street  
London W1A 4BH

SOLICITORS

Freshfields  
Grindall House  
25 Newgate Street  
London EC1A 7LH

Harbottle & Lewis  
34 South Molton Street  
London W1Y 2BP

VIRGIN RETAIL GROUP LIMITED  
(Formerly Natlute Limited)

REPORT OF THE DIRECTORS

The Directors submit their report and their first accounts for the period 27th April 1989 to 31st July 1990.

INCORPORATION

The Company was incorporated on 27th April 1989 as Natlute Limited. On 30th October 1989 it changed its name to Virgin Retail Group Limited.

BASIS OF ACCOUNTS

In January 1989, the publicly-held shares in Virgin Group plc were bought by Glowtrack Limited, a company owned by certain of the directors of Virgin Group plc. After this buyout, the resulting group was demerged into four separate legal groups, each with an ultimate holding company owned by the shareholder-directors of Glowtrack Limited. Virgin Retail Group Limited is the ultimate holding company to which the retail activities of Virgin Group plc were sold as part of this demerger.

The demerger transactions occurred over the period to 5th May 1990. The profit and loss account only records transactions of subsidiary companies after they were acquired by Virgin Retail Group Limited.

BUSINESS REVIEW

The Company acts as the ultimate holding company for a group operating a retail chain of music 'megastores' and the wholesale exporting of special edition records, tapes and compact discs.

RESULTS AND DIVIDENDS

The results of the group for the period are set out on page 6.

Listed below for comparative purposes, are the proforma turnover and the profit/(loss) before interest for the twelve months ended 31st July 1990, as if all the currently held subsidiaries had been acquired prior to 1st August 1988.

	1990	1990	1989
		(Proforma)	(Proforma)
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Turnover	90,064	137,591	90,865
Profit/(loss) before interest	(171)	212	504

The directors do not recommend the payment of a dividend.

FUTURE DEVELOPMENTS

The directors are considering involvement with international trading partners to open new stores overseas.

The directors believe that the prospects for medium term profitability for the group are good.

VIRGIN RETAIL GROUP LIMITED  
(Formerly Natluta Limited)

REPORT OF THE DIRECTORS

DIRECTORS AND THEIR INTERESTS

The directors during this period were as follows:-

Appointed

T M Abbott	31st July 1989
K M Berry	31st July 1989
R C N Branson	31st July 1989
R H F Devereux	14th June 1989
J S Draper	31st July 1989
Instant Companies Limited	27th April 1989 (Resigned 14th June 1989)
Swift Incorporations Limited	27th April 1989 (Resigned 14th June 1989)

The directly held interests of the directors in the shares of the company are shown in the table below:-

	Notes relating to the ordinary shares	31.7.90 10p ordinary shares	31.7.90 £1 redeemable preference shares
T M Abbott		1,164	-
K M Berry		690	-
R C N Branson	2	47,311	-
R H F Devereux		-	-
J S Draper	3	9,861	-

1. The total number of shares in which the directors held a direct beneficial interest as at 31st July 1990 was 59,026 ordinary shares (59% of the issued share capital). This excludes the indirect interests and duplications referred to in notes 2 and 3 below.
2. R C N Branson is a beneficiary of trusts holding a further 40,159 ordinary shares and 8,000,000 redeemable preference shares. R H F Devereux is also a beneficiary of these trusts. J S Draper is also a beneficiary of these trusts which hold 7,644 of the ordinary shares and 4,000,000 of the redeemable preference shares.
3. J S Draper is also the beneficiary of a trust holding a further 815 ordinary shares. K M Berry is also a beneficiary of this trust.

VIRGIN RETAIL GROUP LIMITED  
(Formerly Natlube Limited)

REPORT OF THE DIRECTORS

FIXED ASSETS

The movements in fixed assets are set out on page 18

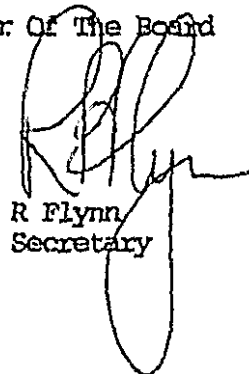
POLITICAL AND CHARITABLE CONTRIBUTIONS

No political or charitable contributions were made by the company during the period to 31st July 1990.

AUDITORS

The directors have appointed KPMG Peat Marwick McLintock to act as first auditors of the company. A resolution proposing the reappointment of KPMG Peat Marwick McLintock will be proposed at the forthcoming annual general meeting

By Order Of The Board



R Flynn  
Secretary

120 Campden Hill Road  
London W8 7AR

31st January 1991

VIRGIN RETAIL GROUP LIMITED  
(Formerly Nat'lute Limited)

REPORT OF THE AUDITORS

We have audited the financial statements set out on pages 6 to 23 in accordance with Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of affairs of the group and the company as at 31st July 1990 and of the result and source and application of funds of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Peat Marwick McLintock*

1 Puddle Dock  
Blackfriars  
London EC4V 3PD

KPMG Peat Marwick McLintock  
Chartered Accountants

1st February, 1991

VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES

Consolidated Profit and Loss Account  
Period 27th April 1989 to 31st July 1990

	<u>NOTES</u>	£'000
Turnover	2	90,064
Operating costs	3	<u>(89,196)</u>
Operating profit		868
Other charges	4	<u>(1,039)</u>
Loss before interest		(171)
Net interest payable	5	<u>(2,300)</u>
Loss on ordinary activities before tax		(2,471)
Taxation	9	<u>155</u>
Loss on ordinary activities after tax		(2,316)
Minority interests		<u>(43)</u>
Loss on ordinary activities attributable to the shareholders		(2,359)
Extraordinary items	10	<u>712</u>
Loss for the year		<u>(1,647)</u>

The notes on pages 10 to 23 form part of these accounts




VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES  
Consolidated Balance Sheet as at 31st July 1990

	<u>NOTES</u>	£'000
<b>FIXED ASSETS</b>		
Intangible assets	12	18,395
Tangible assets	14	<u>38,954</u>
		<u>57,349</u>
<b>CURRENT ASSETS</b>		
Stocks	16	16,210
Debtors	17	13,836
Cash at bank and in hand		<u>4,898</u>
		<u>34,944</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	18	(64,137)
NET CURRENT LIABILITIES		(29,193)
TOTAL ASSETS LESS CURRENT LIABILITIES		28,156
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	19	(15,297)
PROVISION FOR LIABILITIES AND CHARGES	22	<u>(541)</u>
		<u>12,318</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	23	8,010
Revenue reserves	24	(1,745)
		<u>6,265</u>
MINORITY INTERESTS		<u>6,053</u>
		<u>12,318</u>

The notes on pages 10 to 23 form part of these accounts

The accounts on pages 6 to 23 were approved by the Board of Directors on  
31st ~~February~~ <sup>January</sup> 1991 and signed on its behalf by:

  
R C N Branson  
Director

T M Abbott  
Director



VIRGIN RETAIL GROUP LIMITED

Balance Sheet as at 31st July 1990

	<u>NOTES</u>	£'000
FIXED ASSETS		
Tangible assets	14	4
Investments	15	<u>16,034</u>
		<u>16,838</u>
CURRENT ASSETS		
Debtors	17	13,619
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	18	( <u>17,222</u> )
NET CURRENT LIABILITIES		( <u>3,603</u> )
TOTAL ASSETS LESS CURRENT LIABILITIES		13,235
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	19	( <u>6,288</u> )
		<u>6,947</u>
CAPITAL AND RESERVES		
Called up share capital	23	8,010
Revenue reserves	24	( <u>1,063</u> )
SHAREHOLDERS' FUNDS		<u>6,947</u>

The notes on pages 10 to 23 form part of these accounts

The accounts on pages 6 to 23 were approved by the Board of Directors on  
and signed on its behalf by:

31 JAN 1991

R C N Branson  
Director

T M Abbott  
Director



VIRGIN RETAIL GROUP AND SUBSIDIARIES

Consolidated Source and Application of Funds  
for the period ended 31st July 1990

	£'000
<b>SOURCE OF FUNDS</b>	
Loss after tax and extraordinary item	(2,359)
Extraordinary item	<u>712</u>
	(1,647)
Adjustments for items not involving the movement of funds:	
Depreciation of tangible fixed assets	3,668
Amortisation of intangible fixed assets	1,039
Increase in provisions	19
Minority interests in the retained profits for the period	<u>43</u>
Total from operations	3,122
Funds from other sources:	
Sale proceeds of fixed assets	102
Net increase in loans including obligations under finance leases	15,795
Issued share capital in holding company	8,010
Issue of shares in subsidiaries to minorities	3,030
Minority interests in net assets of subsidiaries purchased	2,980
Provisions in subsidiaries acquired	<u>522</u>
	33,561
<b>APPLICATION OF FUNDS</b>	
Purchase of tangible fixed assets	(42,537)
Purchase of goodwill	(13,785)
Purchase of launch costs	(5,628)
Exchange differences	<u>(306)</u>
	(28,695)
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>	
Stocks	16,210
Debtors	13,836
Creditors excluding taxation and loans	<u>(42,778)</u>
	(12,732)
<b>Movements in net liquid funds:</b>	
Bank and cash balances	(15,963)
	<u>(28,695)</u>

VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES

Notes to the Accounts  
for the period ended 31st July 1990

1. ACCOUNTING POLICIES

The accounts have been prepared on the basis of the following significant accounting policies which have been applied consistently for the year under review:

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention as modified to take account of the revaluation of certain properties.

(b) Basis of Consolidation

The consolidated accounts include the holding company and all subsidiaries and include the results of all subsidiaries from the date they were formed or acquired or to the date of disposal. Goodwill arising on consolidation is written off over a period of 20 years.

(c) Turnover

Turnover represents amounts receivable for goods and services supplied to outside customers, excluding value added tax.

(d) Depreciation

Depreciation of fixed assets is provided on a straight line basis at rates calculated to write off the cost or valuation of each asset over its estimated useful life:

Freehold property	-	over 50 years
Leasehold property	-	over period of lease
Plant machinery	-	over 10 to 15 years
Fixtures and fittings	-	over 3 to 6 years

(e) Launch Costs

Launch costs are defined as the non-recurring expenditure incurred in establishing new megastores, mainly represented by those costs incurred prior to the commencement of trading. Launch costs are capitalised and are amortised over a period of 5 years on a straight-line basis.

(f) Leased Plant and Equipment

Where plant and equipment is acquired under finance leases the assets are capitalised at an amount representing the equivalent outright purchase price of such assets and included in tangible fixed assets. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the lease in proportion to the balance outstanding.

VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES

Notes to the accounts  
for the period ended 31st July 1990

ACCOUNTING POLICIES (Continued)

- (g) Stocks and Work in Progress  
Stocks and work progress are stated at the lower of cost and net realisable value.
- (h) Deferred Taxation  
Deferred taxation, using the liability method, is provided at the rates of corporation tax which are expected to apply when the tax is estimated to be payable on all timing differences except those which it is considered will continue for the foreseeable future.
- (i) Investments  
Listed and unlisted investments are shown at the lower of cost and market value. Investments in subsidiaries are stated at cost less amounts written off.
- (j) Translation of Foreign Currencies  
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the accounting period and results of foreign subsidiaries are translated at the average rate of the accounting period. Exchange differences in the opening net investments in those subsidiaries and on the results for the period are dealt with through reserves.  
Certain loans from shareholders maturing less than five years from the balance sheet date were denominated in US Dollars and hedged into sterling by means of foreign exchange contracts. By 2nd October 1990 all these loans were redenominated into sterling, in which currency they will remain until maturity. Exchange differences arising on these loans and foreign exchange contracts have been treated as part of the overall cost of these loans and amortised over the life of the loans.

VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES

Notes for the accounts  
for the period ended 31st July 1990

2. TURNOVER AND LOSS BEFORE INTEREST AND TAX

(a) Analysis by activity:

	Turnover	Loss before interest
	£'000	£'000
Retail Europe	64,944	1,335
Retail Australia	7,335	(780)
Export	17,355	595
Other (including franchise)	806	(282)
Less: Intra-Group turnover	(376)	-
Other charges	-	(1,039)
	<u>90,064</u>	<u>(171)</u>

(b) Analysis by geographical area:

	Turnover
	£'000
United Kingdom	49,276
Rest of Europe	24,895
North America	2,634
Asia & Australasia	13,160
Rest of World	99
	<u>90,064</u>

3. OPERATING COSTS

	£'000
Operating costs consists of:	
Cost of sales	64,480
Distribution costs	5,912
Administrative expenses	<u>18,804</u>
	<u>89,196</u>

4. OTHER CHARGES

	£'000
Amortisation of launch costs	500
Amortisation of goodwill	<u>539</u>
	<u>1,039</u>

VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES

Notes for the accounts  
for the period ended 31st July 1990

5. NET INTEREST PAYABLE

Net interest payable comprises the following:

	£'000
Bank interest and interest on loans wholly repayable within 5 years	2,581
Interest arising from finance leases	7
Hire purchase interest	5
	<u>2,593</u>
Less: interest receivable	(293)
	<u>2,300</u>

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAX

The loss on ordinary activities before tax is stated after charging:

	£'000
Amortisation of launch costs	500
Amortisation of goodwill	539
Depreciation of tangible fixed assets	3,668
Hire of plant and machinery	177
Auditors' remuneration	150

7. EMPLOYEE INFORMATION

- (a) The average number of persons employed by the Group was as follows:

Selling and distribution	1,260
Administration	130

- (b) The aggregate payroll costs were as follows:

	£'000
Wages and salaries	9,172
Social security costs	1,116
Other pension costs	50
	<u>10,338</u>

VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES

Notes to the accounts  
for the period ended 31st July 1990

8. DIRECTORS EMOLUMENTS AND MATERIAL INTERESTS IN TRANSACTIONS

The emoluments paid directly to the directors of the company were nil. A management charge is made to Virgin Retail Group Limited by Virgin Holdings Limited (a company which is also controlled by the same shareholder directors) to cover these and other costs. The total emoluments paid to each of the directors of Virgin Retail Group Limited by Virgin Holdings Limited are disclosed in that company's accounts. It is not possible to allocate particular proportions of these emoluments to the management services provided to Virgin Retail Group Limited rather than other companies to which Virgin Holdings Limited also provides services.

9. TAXATION

The Group's tax credit comprises:

£'000

UK corporation tax at a rate of 35%

-

Transfers from the deferred taxation account

155

155

The corporation tax charged for the year has been reduced by group relief.

10. EXTRAORDINARY ITEMS

£'000

Profit on sale of demerged companies

771

Tax charge attributable to extraordinary profit

(59)

712

The tax charge in relation to the extraordinary profit has been reduced by the surrender of group relief.

The extraordinary profit represents the difference between the consideration paid to Virgin Communications Limited for the purchase of Virgin Management Limited on 1st September 1989 (following which the continuing subsidiaries of Virgin Retail Group Limited were sold by Virgin Management Limited to Virgin Retail Group Limited) less the consideration received from Virgin Group Limited on the sale of Virgin Management Limited on 21st September 1989.



VIRGIN RETAIL GROUP LIMITED

Note to the Accounts  
for the period ended 31st July 1990

11. NEW ACQUISITIONS

The following results were incorporated into the consolidated profit and loss account as a result of the acquisition of the following subsidiary groups during the period:

	Salform Limited	Virgin Retail Limited	Virgin Stores Holdings SA
	£'000	£'000	£'000
Profit/(Loss) before tax	(1,030)	1,366	(108)
Tax	<u>-</u>	<u>303</u>	<u>(155)</u>
Profit after tax	(1,030)	1,063	47
Minority interests	<u>-</u>	<u>-</u>	<u>(42)</u>
	<u>(1,030)</u>	<u>1,063</u>	<u>5</u>
Number of months results included	11	11	3
Date of acquisition of subsidiary	1.9.89	1.9.89	1.5.90

12. INTANGIBLE FIXED ASSETS

	Goodwill	Launch Costs	Total
	£'000	£'000	£'000
COST OR VALUATION			
At 31st July 1990	<u>13,785</u>	<u>5,628</u>	<u>19,413</u>
AMORTISATION			
Charge for period	539	500	1,039
Exchange adjustments	<u>-</u>	<u>(21)</u>	<u>(21)</u>
At 31st July 1990	<u>539</u>	<u>479</u>	<u>1,018</u>
NET BOOK VALUE			
At 31st July 1990	<u>13,246</u>	<u>5,149</u>	<u>18,395</u>

Launch costs include an amount of £3,236,000 which has not been amortised in the period. The costs relate to new Megastores which opened after 31st July 1990.

VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES

Notes to the Accounts  
for the period ended 31st July 1990

13. ACQUISITION OF SUBSIDIARIES

The following subsidiaries were acquired during the period for the stated considerations. All consideration was paid in cash except for the consideration for Virgin Retail Limited which is explained below.

	Virgin Retail Limited	Salform Limited	Virgin Stores Holdings SA	Virgin Stores SA	Bebejoie SA	Total
Purchased share	100%	100%	86%	50.1%	100%	
	£'000	£'000	£'000	£'000	£'000	£'000
Consideration	<u>16,744</u>	<u>1,150</u>	<u>3,940</u>	<u>7,070</u>	<u>808</u>	<u>29,712</u>
Book value of 100% of net assets/ (liabilities)	(16,506)	(934)	4,159	9,316	101	(3,864)
Adjustment to book value	24,094	132	-	1,588	-	25,814
Fair value of 100% of net assets/ (liabilities)	<u>7,588</u>	<u>(802)</u>	<u>4,159</u>	<u>10,904</u>	<u>101</u>	<u>21,950</u>
Less: Minority share of fair value	-	-	(582)	(5,441)	-	(6,023)
Purchased fair value	<u>7,588</u>	<u>(802)</u>	<u>3,577</u>	<u>5,463</u>	<u>101</u>	<u>15,927</u>
Goodwill	<u>9,156</u>	<u>1,952</u>	<u>363</u>	<u>1,607</u>	<u>707</u>	<u>13,785</u>

VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES

Notes to the Accounts  
for the period ended 31st July 1990

Fair Value Adjustments

	Book value £'000	Reorganisation costs £'000	Fair value to group £'000
1. Virgin Retail Limited			
Other creditors	(30,246)	24,094	(6,152)
Other net assets	<u>13,738</u>	<u>-</u>	<u>13,738</u>
	<u>(16,506)</u>	<u>24,094</u>	<u>7,588</u>

The reorganisation costs reflect the issue of £ 9,150,000 of share capital to Virgin Retail Group Limited and the waiver of £ 14,944,000 of debt by Virgin Retail Group Limited as part of a capital restructuring of Virgin Retail Limited shortly after it was acquired by Virgin Retail Group Limited.

The consideration of £ 16,744,000 consists of share capital of £ 9,150,000, a waiver of debt of £ 14,944,000, cash of £ 5,000,000 less a provision of £ 12,350,000 held by Virgin Retail Group Limited against amounts due from Virgin Retail Limited.

	Book value £'000	Accounting policy alignments £'000	Fair value to group £'000
2. Salform Limited			
Intangible assets	285	132	417
Other net liabilities	<u>(1,219)</u>	<u>-</u>	<u>(1,219)</u>
	<u>(934)</u>	<u>132</u>	<u>(802)</u>
3. Virgin Stores SA			
Intangible assets	-	5,370	5,370
Other net assets	<u>9,316</u>	<u>(3,782)</u>	<u>5,534</u>
	<u>9,316</u>	<u>1,588</u>	<u>10,904</u>

The accounting policy alignments include the capitalisation of launch costs in accordance with group accounting policy and the related provision for deferred taxation.

VIRGIN RETAIL GROUP LIMITED

Notes to the Accounts  
for the period ended 31st July 1990

14. TANGIBLE FIXED ASSETS

(a) Group	Freehold Land and Buildings £'000	Short Leasehold Land and Buildings £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Assets in course of construction £'000	Total £'000
COST OR VALUATION						
Additions	1,901	13,162	13,456	10,734	3,284	42,537
Disposals	-	-	(222)	-	-	(222)
Exchange adjustments	101	-	32	-	-	133
At 31st July 1990	<u>2,002</u>	<u>13,162</u>	<u>13,266</u>	<u>10,734</u>	<u>3,284</u>	<u>42,448</u>
DEPRECIATION						
Charge for the period	42	517	1,915	1,194	-	3,668
Exchange adjustments	1	(34)	(9)	(12)	-	(54)
Disposals	-	-	(120)	-	-	(120)
At 31st July 1990	<u>43</u>	<u>483</u>	<u>1,786</u>	<u>1,182</u>	<u>-</u>	<u>3,494</u>
NET BOOK VALUE						
At 31st July 1990	<u>1,959</u>	<u>12,679</u>	<u>11,480</u>	<u>9,552</u>	<u>3,284</u>	<u>38,954</u>

(b) Company	Plant and Machinery £'000
COST	
Additions	<u>5</u>
DEPRECIATION	
Charge for the period	<u>(1)</u>
NET BOOK VALUE	
At 31st July 1990	<u>4</u>

VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES

Notes to the Accounts  
for the period ended 31st July 1990

15. **FIXED ASSETS - INVESTMENTS**

The company's investments represent the cost of the holding company's investment in its subsidiary companies, less any provisions made.

16. **STOCK**

The group's stock represents goods held for resale

17. **DEBTORS**

	Group £'000	Company £'000
Trade debtors	3,553	-
Amounts owed by group companies	-	11,252
Other debtors	7,330	1,793
Prepayments and accrued income	1,444	574
Unpaid called up share capital	1,509	-
	<u>13,836</u>	<u>13,619</u>

Included in other debtors is an amount of £783,939 which relates to rents paid in advance. The amount is recoverable after more than one year.

18. **CREDITORS: Amount falling due within one year**

	Group £'000	Company £'000
Unsecured bank loans and overdrafts	20,805	6,617
Other loans	56	-
Obligations under finance leases (note 21)	498	-
Trade creditors	28,889	-
Other creditors	10,465	10,069
Corporation tax	412	-
Other tax and social security	1,371	-
Accruals and deferred income	1,641	536
	<u>64,137</u>	<u>17,222</u>

VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES

Notes to the Accounts  
for the period ended 31st July 1990

19. CREDITORS: Amounts falling due after more than one year

	Group £'000	Company £'000
Other loans	7,470	6,288
Obligations under finance leases (note 21)	<u>7,827</u>	<u>-</u>
	<u>15,297</u>	<u>6,288</u>

20. OPERATING LEASES

Annual operating lease payments which the group are committed to are :

	Land & buildings		Other assets	
	Group £'000	Company £'000	Group £'000	Company £'000
Operating leases expiring within :				
1 year	-	-	-	-
2-5 years inclusive	-	-	258	-
Thereafter	<u>7,072</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>7,072</u>	<u>-</u>	<u>258</u>	<u>-</u>

21. RENTALS UNDER FINANCE LEASES

Rentals under finance leases are as follows:-

	Group £'000	Company £'000
Amounts due within:		
1 year	1,198	-
2-5 years inclusive	5,297	-
Thereafter	<u>11,699</u>	<u>-</u>
	18,194	-
Less: Finance charges allocated to future periods	<u>(8,786)</u>	<u>-</u>
	9,408	-
Less: Undrawn amount of finance Lease	<u>(1,083)</u>	<u>-</u>
	<u>8,325</u>	<u>-</u>

The undrawn balance of £ 1,083,000 was drawn down shortly after the year end.

Shown under creditors as:

Obligations under finance leases		
Due within one year	498	-
Due after more than one year	<u>7,827</u>	<u>-</u>
	<u>8,325</u>	<u>-</u>

VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES

Notes to the Accounts  
for the period ended 31st July 1990

22. PROVISION FOR LIABILITIES AND CHARGES

	Group £'000
Deferred tax	522
Other provisions	<u>19</u>
	<u>541</u>

The movement on deferred taxation, which represents the maximum liability, comprises:

	At acquisition £'000	Transfer to profit and loss account £'000	At 31st July 1990 £'000
Excess of tax allowances over book depreciation of launch costs	2,119	(155)	1,964
Tax effect of losses carried forward	<u>(1,442)</u>	<u>-</u>	<u>(1,442)</u>
	<u>677</u>	<u>(155)</u>	<u>522</u>

23. SHARE CAPITAL

	£'000
Authorised:	
100,000 ordinary shares of 10p each	10
8,000,000 cumulative redeemable preference shares of £1 each	<u>8,000</u>
	<u>8,010</u>
Allotted, called up and fully paid:	
100,000 ordinary shares of 10p each	10
8,000,000 cumulative redeemable preference shares of £1 each	<u>8,000</u>
	<u>8,010</u>

The ordinary shares were issued to establish the share capital of Virgin Retail Group Limited.

The cumulative redeemable preference shares were issued during the period to increase the capital of the company and to establish a sufficient capital base. These shares are redeemable at the company's option. A special resolution has to be passed by the holders of the preference shares to request the company to redeem the outstanding shares, which may not be earlier than 31 July 1993.

VIRGIN RETAIL GROUP LIMITED AND SUBSIDIARIES

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24. STATEMENT OF RETAINED REVENUE RESERVES

	Group £'000	Company £'000
Profit and loss account:		
Retained loss for the period	(1,647)	(1,063)
Exchange translation differences	(98)	-
Balance at 31st July 1990	<u>(1,745)</u>	<u>(1,063)</u>

As permitted by Section 228(7) of the Companies Act 1985, a separate profit and loss account dealing with the results of the company has not been presented.

25. CAPITAL AND OTHER COMMITMENTS

Capital expenditure approved by the Directors and/or contracted for at 31st July 1990 was as follows:

	1990 £'000
Approved by the Directors	<u>5,400</u>

The above amounts include contracted expenditure. Due to the large number of contracts and their nature, it is impractical to distinguish the amount that the company has contracted for at the balance sheet date.

26. PENSIONS

The group's employees in the UK participate in the state earnings related pension scheme (SERPS). Staff employed in the UK are also eligible to participate in additional voluntary schemes arranged through the Sun Alliance which provide individual pension plans ; the benefits payable are related to contribution levels. Group companies in the UK will contribute an amount equal to the contributions paid by employees up to a maximum of 5%.

Group companies are not responsible for making contributions on behalf of employees in non-UK based companies.

The pension charge for the year in the Group profit and loss account is £50,000.

The group's contribution represents the only commitment group companies have to fund pension schemes.



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27. SUBSEQUENT EVENTS

As of 6th November 1990, Virgin Retail Group Limited formed a Dutch subsidiary Virgin Retail Europe N.V. to act as the holding company for its continental European activities. A 20% stake in this company was sold to minority investors as of that date.

28. PRINCIPAL SUBSIDIARIES

The following were the principal direct and indirect subsidiaries of Virgin Retail Group Limited during the period ended 31st July 1990.

<u>Country of</u> <u>incorporation</u>	<u>Company</u>	<u>Effective group</u> <u>interest</u>
Ireland	Harlandic Limited.	100%
United Kingdom	Virgin Retail Limited	100%
United Kingdom	Salform Limited	100%
Ireland	Virgin Retail (Ireland) Limited	100%
France	Virgin Stores Holding S.A.	86%
France	Virgin Stores S.A.	43%
Australia	Virgin Retail (Australia) Pty. Ltd.	90%
United Kingdom	Caroline International Limited	100%

All principal subsidiaries are in the business of retailing music and other products except Caroline International Limited, which is a wholesale import/export company in music and other products.

The principal operations of the principal subsidiaries above are carried out in their country of incorporation.