JBO Limited
(formerly V Too Limited)

Directors' report and financial statements

For the year ended 30 June 1998
Registered number 2377758

3201161

Directors' report and financial statements

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 1998. The company was incorporated on 20 May 1996 as V Too Limited and renamed JBO Limited on 13 February 1998.

Principal activity

The principal activity of the company in the year under review was the production and sale of phonographic recordings.

Business review

On 15 December 1997, the company commenced trading as a joint venture between V2 Music Group Limited and Steven Haugh. The loss for the year of £401,000 primarily reflects the advances, recording, marketing and selling costs expensed in relation to the company's artist roster.

Results for the period and proposed dividend

The retained loss for the year is £401,000. The directors do not recommend the payment of a dividend. Accordingly the loss for the year is transferred to reserves.

Directors

The directors in office in the year and their beneficial interests in the company's issued ordinary share capital were as follows:

	Ordinary shares of £1 each	
	1998	**1997**
S Murphy (appointed 20/5/96; resigned 23/2/98)	-	-
S Williams (appointed 23/2/98)	-	-
S Haugh (appointed 23/2/98)	1	-

None of the other directors who held office at the end of the financial year had any disclosable interests in the shares of group companies.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families or exercised by them, during the financial year.

Year 2000

The company has begun preparations for Year 2000 compliance of its systems. The company's systems have been developed with Year 2000 compliance in mind and therefore, significant systems modifications are not expected. The directors are in the process of completing their analysis of the potential impact and full extent of the Year 2000 problem on the business.

The directors are also currently assessing the business risk from non-compliance with Year 2000 standards by key suppliers and customers of the company. However, as the directors cannot be certain of avoiding disruption to the business in areas where the company does not have a direct relationship, contingency plans will be developed to minimise this risk.

The full costs associated with Year 2000 compliance have yet to be quantified.

Directors' report

Auditors

KPMG were appointed by the directors during the year. KPMG have indicated their willingness to continue in office and a resolution concerning that appointment will be put forward at the forthcoming Annual General Meeting.

By order of the board

S Williams

S Williams
Director

21 December 1998

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

KPMG

PO Box 695
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London EC4Y 8BB

Report of the auditors to the members of JBO Limited (formerly V Too Limited)

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3 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 30 June 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

21 December 1998

Profit and loss account

for the year ended 30 June 1998

	Note	1998 £000
Turnover	*1*	187
Cost of sales		(432)
Gross loss		(245)
Administrative expenses		(156)
Operating loss		(401)
Loss on ordinary activities before taxation	*2*	(401)
Tax on loss on ordinary activities	*5*	-
Loss on ordinary activities after taxation		(401)
Loss for the year	*11*	(401)

Results are derived from continuing activities, and have been prepared on the historical cost basis.

There are no recognised gains or losses in the current year other than those included in the profit and loss account.

Balance sheet
at 30 June 1998

	Note	1998 £000	1998 £000
Fixed assets			
Tangible assets	*6*		17
Current assets			
Stocks	*7*	18	
Debtors	*8*	168	
Cash at bank and in hand		130	
		316	
Creditors: amounts falling due within one year	*9*	(734)	
Net current liabilities			(418)
Total assets less current liabilities			(401)
Net liabilities			(401)
Capital and reserves			
Called up share capital	*10*		-
Profit and loss account	*11*		(401)
Equity shareholders' deficit	*12*		(401)

These financial statements were approved by the board of directors on 21 December 1998 and were signed on its behalf by:

S Williams

S Williams
Director

Reconciliation of movements in equity shareholders' deficit
for the year ended 30 June 1998

	1998
	£000
Loss for the financial year	(401)
Net increase in equity shareholders' deficit	(401)
Opening equity shareholders' deficit	-
Closing equity shareholders' deficit	(401)

Notes

(forming part of the financial statements)

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 financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting convention and on a going concern basis in view of the undertaking from V2 Music (Holdings) PLC to provide the company with sufficient funds to enable it to meet its liabilities, as and when they fall due, for the foreseeable future.

Cash flow statement

Under Financial Reporting Standard No.1 (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Turnover

Turnover represents the invoiced value of goods provided to customers and is net of discounts, value added tax and provisions for goods likely to be returned.

Cost of sales

Cost of sales include production costs, recouped advances and, where applicable, the write off of unrecouped advances (in accordance with the policy set out under record royalties below) to the extent that the directors do not consider that their recovery can be reasonably regarded as assured.

Tangible fixed assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment	-	3 to 10 years
Fixtures, fittings and equipment	-	3 to 5 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Pension benefits

The company is a member of a group that operates defined contribution schemes for its employees and executives. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost represents contributions payable by the company to the funds.

Notes *(continued)*

Accounting policies (continued)

Taxation and deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise. An asset is recognised only where it is probable that it will be recoverable.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating loss.

Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease. There are no finance leases.

Record royalties

i) Provision is made for royalties payable at the end of each accounting period in respect of income receivable on sales of records arising during each accounting period; and

ii) Advances (and other recoupable costs) paid against future royalties are carried forward and recognised as an asset where such advances relate to current unreleased productions of established artists and where it is estimated that sufficient future royalties will be earned for recoupment for those productions. Following release such advances are only carried forward if it is estimated that sufficient royalties will be earned to recoup the advances on the relevant production.

Non-recoupable recording, production and development costs in adding to the catalogue of recorded music are wholly written off as incurred.

2 Loss on ordinary activities before taxation

	1998
	£000
Loss on ordinary activities before taxation is stated after charging:	
Operating leases - rent	1
Auditors' remuneration - audit	5
Provision against recoupable costs (net of recoupments)	171

Notes *(continued)*

3 Remuneration of directors

	1998
	£000
Directors' emoluments:	
- basic	50

One of the directors during the period was employed by Virgin Management Limited; a management charge is levied from Virgin Management Limited to the company's ultimate parent undertaking, V2 Music (Holdings) PLC, for their services. The remaining director is paid by V2 Music Group Limited.

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1998
Marketing and promotion	1
Administration	4
	5

The aggregate payroll costs of these persons were as follows:

	1998
	£000
Wages and salaries	99
Social security costs	9
	108

5 Taxation

No corporation tax has been provided in view of the loss for the year.

The company has made a loss for taxation purposes. The deferred tax asset arising in relation to this loss has not been reflected in these financial statements in view of the inherent uncertainty surrounding its recoverability.

Notes *(continued)*

6 Tangible fixed assets

	Computer equipment	Fixtures, fittings and equipment	Total
	£000	£000	£000
Cost			
Additions in year	12	5	17
At 30 June 1998	12	5	17
Depreciation			
Charge for year	-	-	-
At 30 June 1998	-	-	-
Net book value			
At 30 June 1998	**12**	**5**	**17**

7 Stocks

	1998
	£000
Goods for resale	18

8 Debtors

	1998
	£000
Amounts due within one year:	
Trade debtors	141
Other debtors	18
Amounts owed by group undertakings	9
	168

Notes *(continued)*

9 Creditors: amounts falling due within one year

	1998
	£000
Trade creditors	85
Accruals	102
Other creditors including taxation and social security	26
Amounts owed to group undertakings	521
	734

10 Share capital

	1998
	£
Authorised	
Equity: Ordinary shares of £1 each	1,000
Equity: Allotted, issued and fully paid	2

11 Profit and loss reserve

	1998
	£000
At beginning of year	-
Retained loss for year	(401)
At 30 June 1998	(401)

Notes *(continued)*

12 Related parties

JBO Limited is 50% owned by V2 Music Group Limited.

V2 Music Group Limited has provided funding in the year of £521,000 and this represents the amount owed by JBO Limited at the year end. No interest is payable on this loan.

V2 Music Group Limited also collects royalties for JBO Limited on sales made via other V2 companies around the world. The income earned in this way by JBO Limited during the year was £9,000 and the amount owed by V2 Music Group Limited at the year end in relation to royalties was £9,000.

13 Ultimate parent company

At 30 June 1998 the company had two equal shareholders, these being V2 Music Group Limited and S Haugh. The results and balance sheet of the company are consolidated in the financial statements of V2 Music (Holdings) PLC, a company registered in England and Wales, which is the ultimate parent undertaking of V2 Music Group Limited. Consolidated financial statements can be obtained from V2 Music (Holdings) PLC's registered office at 120 Campden Hill Road, London W8 7AR.