

**V2 Records International Limited**  
*(formerly Vee Too Limited)*

**Directors' report and financial  
statements**

Registered number 3201180

30 June 2000



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2000.

### Principal activity and business review

The company changed its name to V2 Records International Limited on 27 March 2000.

The principal activity of the company in the year under review was the licensing and sale of phonographic recordings to territories where there is no V2 affiliate. During the year, the company continued to expand into new territories throughout the world.

The financial statements have been prepared on a going concern basis which assumes that the company will have sufficient funds to meet its liabilities, as and when they fall due, for the foreseeable future.

V2 Music (Holdings) PLC, the company's intermediate parent undertaking, has provided an undertaking to the company to provide the company with sufficient funding to enable it to meet its liabilities, as and when they fall due, for the foreseeable future.

### Results for the period and proposed dividends

The retained profit for the year of £193,000 (1999: £91,000) has been transferred to reserves. The directors do not recommend the payment of a dividend (1999: £nil).

### Directors and directors' interests

The directors who held office during and subsequent to the year were as follows:

IS Burroughs	(appointed 4 November 1998; resigned 1 March 2000)
D Legge	(appointed 4 November 1998; resigned 1 March 2000)
JW Pearce	(appointed 1 March 2000)
SJ Middleton	(appointed 1 March 2000)
RJ Polding	(appointed 3 March 2000)

JW Pearce's interests during the year in V2 Music (Holdings) PLC, the company's intermediate parent company, are disclosed in the financial statements of that company.

SJ Middleton was granted the following share options over the 'A' ordinary shares V2 Music (Holdings) PLC:

Number of options at 1 July 1999 and 30 June 2000	Exercise price
62,498	£0.01
62,498	£3.20
62,498	£6.40

The interests of RJ Polding during the year in V2 Music (Holdings) PLC are disclosed in the financial statements of V2 Music Group Limited, the immediate parent company.

The options were granted on 1 April 1999 on adoption by the board of the share option scheme. No options lapsed or were exercised during that year. The options vest in three equal tranches on the first, second and third annual anniversaries of the date of grant of the options or the date of listing or change in control, but must be exercised within seven years of the date of the grant.

## Directors' report (continued)

### Directors and directors' interests (continued)

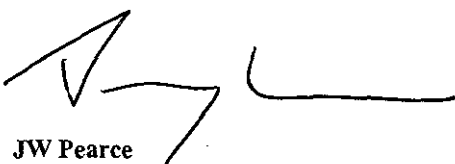
According to the register of directors' interests, no other rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families or exercised by them, during the financial year.

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares or debentures of group companies. There were no other interests which are required to be disclosed under the Companies Act 1985.

### Auditors

Pursuant to a shareholder's resolution, the company is not obliged to re-appoint its auditors annually and KPMG will therefore continue in office.

By order of the board



JW Pearce  
Director

120 Campden Hill Road  
London  
W8 7AR

4 May 2001

## 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 result 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; and
- 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.



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## Report of the auditors to the members of V2 Records International Limited

We have audited the financial statements on pages 5 to 11.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### *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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG  
Chartered Accountants  
Registered Auditors

4 May 2001

# **Profit and loss account**

for the year ended 30 June 2000

	Note	Year ended 30 June 2000 £000	Year ended 30 June 1999 £000
Turnover	1	912	457
Cost of sales		(667)	(366)
		<hr/>	<hr/>
Gross profit		245	91
Administrative expenses		(6)	-
		<hr/>	<hr/>
Operating profit and profit on ordinary activities before taxation	2,3	239	91
Tax on profit on ordinary activities	4	(46)	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation and retained profit for the year	8	193	91
		<hr/>	<hr/>

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 or prior year other than those included in the profit and loss account.

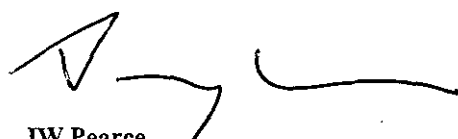
## Balance sheet

at 30 June 2000

	Note	30 June 2000	30 June 1999
		£000	£000
<b>Current assets</b>			
Debtors	5	523	134
<b>Creditors: amounts falling due within one year</b>	6	(239)	(43)
<b>Net current assets</b>		284	91
<b>Total assets less current liabilities</b>		284	91
<b>Net assets</b>		284	91
<b>Capital and reserves</b>			
Called up share capital	7	-	-
Profit and loss account	8	284	91
<b>Equity shareholders' funds</b>		284	91

These financial statements were approved by the board of directors on  
 on its behalf by:

4 May 2001 and were signed

  
 JW Pearce  
 Director



**Reconciliation of movements in equity shareholder's funds**  
*for the year ended 30 June 2000*

	2000 £000	1999 £000
Profit for the year	193	91
Opening equity shareholder's funds	91	-
	<hr/>	<hr/>
Closing equity shareholder's funds	284	91
	<hr/>	<hr/>

## 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 preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, and on a going concern basis which assumes that the company will have sufficient funding to enable it to meet its liabilities, as and when they fall due, for the foreseeable future.

V2 Music (Holdings) PLC, the company's intermediate parent undertaking, has provided an undertaking to the company to provide the company with sufficient funding 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 that it is a wholly owned subsidiary undertaking of V2 Music (Holdings) PLC and its cash flows are included within the consolidated cash flow statement of that company.

#### *Turnover*

Turnover represents licence fees and royalty income receivable and is net of value added tax.

#### *Pension benefits*

The company is part of a group which operates defined contribution schemes for its employees. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost represents amounts payable by the company to the funds.

#### *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.

Irrecoverable withholding tax suffered is expensed in the profit and loss account in the period in which it occurs.

#### *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 included in the profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### Royalties

Provision is made for royalties payable at the end of each accounting period in respect of income received during each accounting period.

#### Licence fee income

Licence fees receivable are recognised on receipt of third party royalty statements.

### 2 Auditors' remuneration

The audit fee was paid by V2 Music Group Limited, the company's immediate parent company.

### 3 Remuneration of directors and salary costs

The directors received no remuneration from the company for services during the current and prior year.

There were no employees during the year (1999: nil) and as a result no staff costs were incurred during the year (1999: £nil).

### 4 Taxation

	2000 £000	1999 £000
UK Corporation tax at 30%	46	-
Less relief for overseas tax	(46)	-
Overseas withholding tax	46	-
	<hr/> 46	<hr/> -

No further corporation tax charge has been provided in respect of the profit for the period as a result of the availability of tax losses in other group companies which will be surrendered to the company for no consideration.

### 5 Debtors

	2000 £000	1999 £000
<i>Amounts due within one year:</i>		
Trade debtors	194	100
Amounts owed by parent undertaking	329	34
	<hr/> 523	<hr/> 134

**Notes (continued)**

**6 Creditors: amounts falling due within one year**

	2000 £000	1999 £000
Accruals and deferred income	239	43
	<hr/>	<hr/>

**7 Share capital**

	2000 £	1999 £
<i>Authorised</i>		
Equity: 1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, issued and fully paid</i>		
Equity: 2 ordinary shares of £1 each	2	2
	<hr/>	<hr/>

**8 Profit and loss reserve**

	2000 £000	1999 £000
At beginning of year	91	-
Retained profit for the year	193	91
	<hr/>	<hr/>
At 30 June 2000	284	91
	<hr/>	<hr/>

## Notes (continued)

### 9 Related parties

The company is a wholly owned subsidiary of V2 Music (Holdings) PLC. It has therefore taken advantage of the exemption conferred by Financial Reporting Standard No.8 and has not disclosed transactions or balances with entities which form part of the group or investees of the group qualifying as related parties.

### 10 Employee share options

The Group implemented a share option scheme on 1 April 1999. Details of the options granted to directors during the year are disclosed in the directors' report, in the financial statements of V2 Music Limited, a fellow subsidiary undertaking, and in the financial statements of the intermediate parent undertaking, V2 Music (Holdings) PLC, which are publicly available.

### 11 Ultimate parent company

The ultimate parent company is Virgin Group Investments Limited (formerly Virgin Travel Limited), a company incorporated in the British Virgin Islands and which does not prepare consolidated accounts. The results of the company are included in the consolidated accounts of the intermediate parent undertaking, V2 Music (Holdings) PLC, a company registered in England and Wales. Consolidated financial statements can be obtained from V2 Music (Holdings) PLC's registered office at 120 Campden Hill Road, London W8 7AR.