

**Sonopress (UK) Limited**

**Directors' report and financial  
statements**

**Registered number 913275**

**Year ended 31 December 2007**

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007

### Principal activities

The principal activity of the company is the packaging, import and distribution of CDs, DVDs, electronic media and printed materials

### Results and dividends

The profit for the year before taxation was £1,796,000 (2006 £2,006,000)

No dividends were paid or provided during the current or prior year

### Business review

Sonopress (UK) Limited has sustained its strong relationships of trust with customers by continually supplying products that feature high quality and high effectiveness in ways tailored to meet customers' needs and by providing customer service that is highly valued by customers and helps further to enhance the company's brand image

The company managed to considerably reduce its overheads whilst maintaining its high quality of service level. This meant that despite experiencing a fall in revenue in a declining disc manufacturing market and despite incurring some substantial overheads reduction set up costs, Sonopress only experienced a small EBIT decrease this year.

Management have also been able to restrain the increase in distribution and material costs. The net interest receivable for the year was £178,000 (2006 £112,000) due to improved treasury management.

It is expected that sales will decrease in the coming year due to a general market decline in the Audio Publishing business. Sonopress (UK) Limited will still manage to increase its EBIT as it will continue focusing on optimising its overheads whilst maintaining a high quality service. The company is also investing a lot of efforts in developing new product lines which will result in new revenue streams next year.

### Key performance indicators

In addition to financial measures, the main Key Performance Indicators (KPI's) regularly monitored by the company are defined as follows:

- On time delivery performance: The percentage of deliveries made to customers within the agreed delivery time
- Complete delivery performance: The percentage of orders shipped in full quantity to the customer
- Quality compliance: The percentage of complaints compared to the number of orders
- Order time confirmation: The percentage of orders confirmed within 24 hours of being received

### Environment

As a society we have become more aware of our environment and the impact that we all have upon it.

Sonopress have recognised this as being of key importance to the future of the business and as such are aiming to demonstrate our commitment to the environment and act as a good corporate citizen through sensible management of resources and continual improvement programmes relating to quality and the environment.

Both disciplines go hand in hand to provide a sustainable organisation that can continue to flourish through the application of a number of key activities:

#### Consumption and waste reduction

Sonopress continually review use of raw materials, energy usage and quality "right first time" principles, in an effort to reduce consumption and create less waste to thus minimizing our impact on the environment.

Furthermore, Sonopress continue to examine and attempt to source recycled and environmentally friendly products to support the increasing demand for greener products within the market place.

## **Directors' report** *(continued)*

### ***Recycling***

Sonopress aim to reduce the need for recycling by sourcing only the materials required to supply the products and services required by our customers

Where waste is produced we aim to recycle anything that can be recycled, thus reducing land fill waste

### ***Banned and controlled chemical substances***

Sonopress aim to source materials that conform to international and industry standards, such as the European toy safety standard EN71-3 and RoHS standards

### ***Employment***

Sonopress (UK) Limited believes that a stable workforce is required to provide a service that will be highly valued by customers, as the company is keen to promote from within and encourage employees to stay within the Bertelsmann group of companies, Sonopress (UK) Limited adheres to the international company ethos (The Bertelsmann Essentials) which encourages staff to maximise their own potential within the group with the help and guidance of their line managers

At the 1 January 2007, there were 139 permanent employees of these 68 left during the year, 16 new employees were recruited to the workforce making 87 employees at the 31 December 2007 close

### **Risk Factors**

The following is a summary of some of the significant risks that could affect Sonopress (UK) Limited

#### ***Market risk***

The demand for discs, Sonopress (UK) Limited's main products, is effected to a large extent by the levels of legal downloads and piracy activities. Generally speaking, these levels depend largely on consumer habits and on the speed of new technologies development. As a result, if consumer habits radically change they may have an adverse impact on Sonopress (UK) Limited operations. The company not only mitigates this risk by continuing to develop and broaden its product range in line with customer requirements in the entertainment markets but by also developing new product lines from new markets with similar type of operational requirements

#### ***Currency exchange risk***

A proportion of the products Sonopress (UK) Limited sells are produced in the group's worldwide factories where the costs are denominated in the currencies of the US dollar and the Euro. Consequently, the cost of these products is dependant upon the value of the pound sterling compared with these currencies. An adverse fluctuation will have an impact on the Company's operating results. In an effort to reduce the impact of short-term exchange rate fluctuations Sonopress (UK) Limited engages in certain hedging transactions. As a matter of policy no hedges of a speculative nature are entered into. While Sonopress (UK) Limited believes that such measures may help reduce the impact of some exchange rate fluctuations, it cannot assure that it will be able to successfully hedge its exchange rate risks

#### ***Credit risk***

Sonopress (UK) Limited is dependant upon the quality of its customers, including their financial strength. If customers become insolvent a bad debt may be generated and sales may decline. To mitigate this risk the company has consistently selected customers with high financial standing. This is followed up by continuous monitoring and credit insurance

## **Directors' report** *(continued)*

### **Directors**

The directors who held office during the year were as follows

Dr H Heemeyer  
M Bah  
J Shervey  
A Kane  
D Gleisberg  
S Deutschmann

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office

By order of the board



**M Bah**  
*Director*

Black Country New Road  
Wednesbury One  
Wednesbury  
WS10 7NY

27 October 2008

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 LLP**

2 Cornwall Street  
Birmingham  
B3 2DL

### **Independent auditors' report to the members of Sonopress (UK) Limited**

We have audited the financial statements of Sonopress (UK) Limited for the year ended 31 December 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, reconciliation of movements in equity shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

## **Independent auditors' report to the members of Sonopress (UK) Limited** *(continued)*

### **Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

27 October 2008



**Profit and loss account**  
*for the year ended 31 December 2007*

	<i>Note</i>	<b>2007</b> <b>£000</b>	<b>2006</b> <b>£000</b>
<b>Turnover from continuing operations</b>	<b>2</b>	<b>23,738</b>	<b>26,487</b>
Cost of sales		(16,155)	(18,533)
		<hr/>	<hr/>
<b>Gross profit from continuing operations</b>		<b>7,583</b>	<b>7 954</b>
Distribution costs		(1,158)	(1,077)
Administrative expenses		(4,807)	(4 983)
		<hr/>	<hr/>
<b>Operating profit from continuing operations</b>		<b>1,618</b>	<b>1,894</b>
Income from shares in group undertaking		265	-
Other interest receivable and similar income	6	178	112
Amounts written off investments	9	(265)	-
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>1,796</b>	<b>2,006</b>
Tax on profit on ordinary activities	7	(596)	(658)
		<hr/>	<hr/>
<b>Profit for the financial year</b>	<b>15</b>	<b>1,200</b>	<b>1,348</b>
		<hr/>	<hr/>

There is no material difference between the company results as reported and on an unmodified historical cost basis. Accordingly no note of historical cost profits and losses has been included.

**Statement of total recognised gains and losses**  
*for the year ended 31 December 2007*

The company has made no gains or losses other than those included above.

**Balance sheet**  
*at 31 December 2007*

	<i>Note</i>	<b>2007</b> <b>£000</b>	<b>£000</b>	<b>2006</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible assets	8		269		648
Investments	9		10		-
			<hr/>		<hr/>
<b>Current assets</b>			279		648
Stocks	10	570		444	
Debtors	11	14,940		8,513	
Cash at bank and in hand		676		2,066	
		<hr/>		<hr/>	
		16,186		11,023	
<b>Creditors</b> amounts falling due within one year	12	(7,920)		(4,326)	
		<hr/>		<hr/>	
<b>Net current assets</b>			8,266		6,697
			<hr/>		<hr/>
<b>Net assets</b>			8,545		7,345
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	14	10		10	
Profit and loss account	15	8,535		7,335	
		<hr/>		<hr/>	
<b>Equity shareholders' funds</b>			8,545		7,345
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 27 October 2008 and signed on its behalf by



**M Bah**  
*Director*

**Reconciliation of movement in equity shareholders' funds**  
*for the year ended 31 December 2007*

	2007 £000	2006 £000
Profit for the financial year	1,200	1,348
Net increase in shareholders' funds	1,200	1,348
Opening shareholders' funds	7,345	5,997
Closing shareholders' funds	8,545	7,345

## 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

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a more than 90% owned subsidiary of Bertelsmann UK Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Bertelsmann AG, within which this company is included, can be obtained from the address given in note 18

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements These financial statements present information about the company as an individual undertaking and not about its group

#### *Fixed assets and depreciation*

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

Leasehold improvements	-	3 years
Plant and machinery	-	5 years
Factory and office equipment	-	5 years
Motor vehicles	-	4 years
Computer equipment	-	2 years

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

#### *Post-retirement benefits*

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads

## Notes (continued)

### 1 Accounting policies (continued)

#### 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. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### Turnover

Turnover represents the amounts (excluding VAT) derived from the provision of goods and services to customers during the year. Turnover is derived from the sale and distribution of CDs, DVDs, electronic media, printed materials and packaging.

Revenue is recognised when billed, on delivery of goods.

### 2 Analysis of turnover

	2007 £000	2006 £000
<i>By geographical market</i>		
UK	17,257	19,472
Rest of Europe	4,807	5,008
America	1,401	1,878
Africa	5	1
Asia	228	128
Australia	40	-
	<hr/> 23,738 <hr/>	<hr/> 26,487 <hr/>

All turnover arises solely from the principal activity of the company.

### 3 Profit on ordinary activities before taxation

	2007 £000	2006 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging/(crediting)</i>		
Depreciation	214	459
Rentals under operating leases		
Land and buildings	244	244
Plant and equipment	41	20
Loss on disposal of fixed assets	49	-
Exchange gains	(2)	(14)
Auditors' remuneration		
Audit of these financial statements	21	21
	<hr/> 214 <hr/>	<hr/> 459 <hr/>

## Notes (continued)

### 4 Remuneration of directors

	2007 £000	2006 £000
Directors' emoluments	354	327
Pension contributions to money purchase scheme	16	15
	<u>370</u>	<u>342</u>

Some of the directors are paid by other group companies

There were three directors (2006 three) accruing retirement benefits under a money purchase pension scheme at the year end

The aggregate of emoluments of the highest paid director was £130,917 (2006 £120,872), and company pension contributions of £3,550 (2006 £8,800) were made to a money purchase scheme on their behalf

### 5 Staff numbers and costs

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

	Number of employees 2007	2006
Selling and distribution	10	11
Administration	55	58
Production	46	62
	<u>111</u>	<u>131</u>

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	3,091	3,363
Social security costs	351	333
Other pension costs	39	37
	<u>3,481</u>	<u>3,733</u>

### 6 Other interest receivable and similar income

	2007 £000	2006 £000
Bank interest receivable	178	112

## Notes (continued)

### 7 Taxation

#### Analysis of charge in period

	2007 £000	£000	2006 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	539		610	
Adjustments in respect of prior periods	16		-	
	<hr/>		<hr/>	
Total current tax		555		610
<i>Deferred tax (see note 13)</i>				
Origination/reversal of timing differences	24		8	
Adjustments in respect of prior periods	-		40	
Effect of changes in tax rates	17		-	
	<hr/>		<hr/>	
		41		48
		<hr/>		<hr/>
Tax on profit on ordinary activities		596		658
		<hr/>		<hr/>

#### Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2006 higher) than the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are explained below

	2007 £000	2006 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,796	2,006
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	539	602
<i>Effects of</i>		
Expenses not deductible for tax purposes	24	16
Depreciation for period in excess of capital allowances	(24)	(8)
Adjustments to tax charge in respect of previous periods	16	-
	<hr/>	<hr/>
Total current tax charge (see above)	555	610
	<hr/>	<hr/>

#### Factors affecting future tax charge

The corporation tax rate applicable to the company changed from 30% to 28% from 1 April 2008. The deferred tax asset has been calculated at 28% in accordance with FRS 19.

## Notes (continued)

### 8 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Factory and office equipment	Motor vehicles	Computer equipment	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At beginning of year	876	2,986	450	209	831	5,352
Additions	46	21	8	-	5	80
Disposals	-	(358)	-	(119)	-	(477)
At end of year	922	2 649	458	90	836	4,955
<b>Depreciation</b>						
At beginning of year	864	2,413	425	187	815	4,704
On disposal	-	(113)	-	(119)	-	(232)
Charge for year	18	146	23	12	15	214
At end of year	882	2 446	448	80	830	4,686
<b>Net book value</b>						
At 31 December 2007	40	203	10	10	6	269
At 31 December 2006	12	573	25	22	16	648

### 9 Investments

	Shares in group companies £000
<b>Cost</b>	
At beginning of year	-
Additions	275
At end of year	275
<b>Impairment</b>	
At beginning of year	-
Charge for year	265
At end of year	265
<b>Net book value</b>	
At 31 December 2007	10
At 31 December 2006	-

The impairment charge during the year reflects the payment by ASL, by way of a dividend, of its pre-acquisition reserves



## Notes (continued)

### 9 Investments (continued)

Name	Country of Incorporation	Class of share held	% of share held	Activity
Audio Services Limited	England & Wales	Ordinary	100%	Non-trading

### 10 Stocks

	2007 £000	2006 £000
Raw materials and consumables	514	400
Finished goods and goods for resale	56	44
	<u>570</u>	<u>444</u>

### 11 Debtors

	2007 £000	2006 £000
Trade debtors	9,611	7,008
Amounts owed by group undertakings	4,869	1,005
Other debtors	33	35
Deferred tax asset (note 13)	253	294
Prepayments and accrued income	174	171
	<u>14,940</u>	<u>8,513</u>

All debtors are due within one year

### 12 Creditors amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	2,948	2,087
Amounts owed to group undertakings	3,287	753
Taxation and social security	762	538
Corporation tax	539	610
Accruals and deferred income	384	338
	<u>7,920</u>	<u>4,326</u>

## Notes (continued)

### 13 Deferred taxation

The movements in deferred tax assets are as follows

	2007 £000
At 1 January 2007	294
Charge to the profit and loss account for the year	(41)
	<hr/>
At 31 December 2007	<b>253</b>
	<hr/>

The elements of deferred taxation are as follows

	2007 £000	2006 £000
Difference between accumulated depreciation and amortisation and capital allowances	253	294
	<hr/>	<hr/>
Deferred tax asset	<b>253</b>	294
	<hr/>	<hr/>

### 14 Called up share capital

	2007 £000	2006 £000
<i>Authorised, allotted, called up and fully paid</i> Equity ordinary shares of £1 each	10	10
	<hr/>	<hr/>

### 15 Profit and loss account

	£000
At beginning of year	7,335
Profit for the financial year	1,200
	<hr/>
At end of year	<b>8,535</b>
	<hr/>

### 16 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2007		2006
	Land and buildings £000	Other £000	Land and buildings £000
Operating leases which expire			
Within one year	-	2	-
Between two and five years	-	13	9
After more than five years	244	-	244
	<hr/>	<hr/>	<hr/>
	<b>244</b>	<b>15</b>	<b>244</b>
	<hr/>	<hr/>	<hr/>

**Notes** *(continued)*

**17 Pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £38,744 (2006 £37,021). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

**18 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Bertelsmann AG incorporated in Germany, which is the ultimate controlling party. The company is controlled by its parent undertaking Bertelsmann UK Limited.

The parent undertaking of the largest and smallest group of undertakings for which publicly available group financial statements are drawn up and of which the company is a member, is as follows:

Bertelsmann AG  
Carl Bertelsmann - Strasse 270  
4830 Gutersloh 1  
Germany