

BMG SONGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 JUNE 1996

Registered number : 961019



BMG SONGS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 30 June 1996.

ACTIVITIES

The principal activity of the company is music publishing.

REVIEW OF BUSINESS

The company made a profit after tax of £78,068 for the year (1995: £72,204).

The directors do not recommend the payment of any dividends in respect of the year (1995: £Nil).

FUTURE PROSPECTS

The directors are confident that the company will continue to be profitable in the future.

DIRECTORS

The directors who served during the year were:

P Curran
M Stanton

None of the directors holds any shares in the company. There are no arrangements whereby any director is able to acquire shares in the company.

DIRECTORS' LIABILITY INSURANCE

During the year the company maintained liability insurance for its directors as permitted by Section 310 (3) of the Companies Act 1985.

BMG SONGS LIMITED

DIRECTORS' REPORT (CONTINUED)

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 and 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;
- 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, Price Waterhouse, have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



EJP Wareham
Secretary

30 April 1997

Price Waterhouse



REPORT OF THE AUDITORS TO THE MEMBERS OF BMG SONGS LIMITED

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

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 at 30 June 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors

30 April 1997

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1996**

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
TURNOVER	2	778,077	719,447
Cost of sales		<u>(531,790)</u>	<u>(496,258)</u>
GROSS PROFIT		246,287	223,189
Administrative expenses		<u>(148,300)</u>	<u>(128,164)</u>
OPERATING PROFIT		97,987	95,025
Interest receivable and similar income		20,081	11,841
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	118,068	106,866
Tax on profit on ordinary activities	5	<u>(40,000)</u>	<u>(34,662)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		78,068	72,204
RETAINED PROFIT BROUGHT FORWARD		<u>272,632</u>	<u>200,428</u>
RETAINED PROFIT CARRIED FORWARD		350,700	272,632
		<u><u> </u></u>	<u><u> </u></u>

Turnover and profit on ordinary activities before taxation for the year relates exclusively to continuing operations.

All gains and losses have been recognised in arriving at the profit for the year.

The notes on pages 6 to 9 form part of these financial statements.

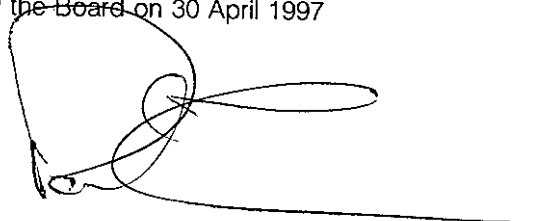
BMG SONGS LIMITED

BALANCE SHEET - 30 JUNE 1996

	Notes	1996 £	1995 £
CURRENT ASSETS			
Debtors	6	2,254,727	1,597,499
Cash at bank and in hand		<u>336,943</u>	<u>335,854</u>
		2,591,670	1,933,353
CREDITORS (amounts falling due within one year)	7	<u>(2,090,970)</u>	<u>(1,510,721)</u>
NET CURRENT ASSETS		<u>500,700</u>	<u>422,632</u>
NET ASSETS		<u>500,700</u>	<u>422,632</u>
EQUITY CAPITAL AND RESERVES			
Called up share capital	8	150,000	150,000
Profit and loss account		<u>350,700</u>	<u>272,632</u>
EQUITY SHAREHOLDERS' FUNDS	11	<u>500,700</u>	<u>422,632</u>

Approved by the Board on 30 April 1997

P Curran
Director



The notes on pages 6 to 9 form part of these financial statements.

BMG SONGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996

1 ACCOUNTING POLICIES

(1) Accounting convention and standards

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

(2) Turnover

Turnover represents copyright royalties receivable excluding VAT.

(3) Foreign exchange

All transactions in foreign currencies are translated at current rates of exchange and amounts outstanding at the balance sheet date are translated at rates prevailing at the year end. Gains and losses arising are included in the results for the year.

(4) Deferred taxation

Deferred taxation is provided, under the liability method, on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(5) Advances to composers and publishers

Royalty advances paid to composers and publishers are carried forward as an asset pending recovery from future royalties earnings. When full recovery is uncertain, these costs are written down to estimated recoverable amounts.

2 TURNOVER

Geographical analysis of turnover arising from music publishing:

	<u>1996</u>	<u>1995</u>
	£	£
United Kingdom	269,388	190,089
Europe	285,039	304,183
North America	121,086	160,507
Other	<u>102,564</u>	<u>64,668</u>
	778,077	719,447
	<u><u>778,077</u></u>	<u><u>719,447</u></u>

BMG SONGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996 (CONTINUED)

3 DIRECTORS' EMOLUMENTS

The directors receive emoluments from the company for their services to both the company and other subsidiaries in the group. The proportion of their emoluments relating to the management of the affairs of the company were as follows:

	<u>1996</u> £	<u>1995</u> £
Salaries	9,500	8,500
Taxable benefits	627	622
Performance related incentive payments	<u>4,480</u>	<u>3,300</u>
	14,607	12,422
Pension scheme contributions	<u>669</u>	<u>638</u>
	<u>15,276</u>	<u>13,060</u>

Taking this amount into account, excluding pension contributions, the emoluments of the directors were:

Highest paid director £14,607 (1995: £12,422).

The emoluments of the Chairman during the year were £nil (1995: £nil).

Other directors in the ranges:

	<u>1996</u> Number	<u>1995</u> Number
£0 - £5,000	-	1

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>1996</u> £	<u>1995</u> £
Auditors' remuneration	<u>1,700</u>	<u>1,650</u>

The average number of employees during the year was nil (1995: Nil).

BMG SONGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996 (CONTINUED)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1996</u>	<u>1995</u>
	£	£
United Kingdom corporation tax charge at 33% (1995: 33%)	(40,000)	(36,123)
Adjustments to prior year provisions	<u>-</u>	<u>1,461</u>
	(40,000)	(34,662)

6 DEBTORS

	<u>1996</u>	<u>1995</u>
	£	£
Accrued royalty income	445,470	254,712
Amounts owed by group undertakings	<u>1,809,257</u>	<u>1,342,787</u>
	2,254,727	1,597,499

7 CREDITORS (amounts falling due within one year)

	<u>1996</u>	<u>1995</u>
	£	£
Amounts due to group undertakings	1,375,143	905,513
Corporation tax (including amounts due to group undertakings in respect of group relief)	141,522	101,522
Accruals and deferred income	<u>574,305</u>	<u>503,686</u>
	2,090,970	1,510,721

8 SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
	£	£
Authorised, allotted and fully paid 150,000 ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>

9 ULTIMATE HOLDING COMPANY

The company's ultimate holding company and ultimate controlling party is Bertelsmann AG, a company incorporated in Germany.

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996 (CONTINUED)

10 PARENT UNDERTAKING

The largest and smallest group for which group accounts are prepared, and of which the company is a member, is as follows:

Name	Bertelsmann AG
Country of incorporation	Germany
Address from where the copies of the Group accounts can be obtained:	Carl Bertelsmann Strasse 270 4830 Gütersloh 1 Germany

11 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<u>1996</u> £	<u>1995</u> £
Profit for the financial year	78,068	72,204
Opening equity shareholders' funds	<u>422,632</u>	<u>350,428</u>
Closing equity shareholders' funds	<u>500,700</u>	<u>422,632</u>