

BMG Songs Limited

**Directors' report and financial
statements**

Registered number 961019

30 June 2000



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Directors' report

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

Activities

The principal activity of the company is music publishing.

Results and dividends

The company made a profit after tax of £194,411 for the year (1999: £241,988). The directors do not recommend the payment of any dividends in respect of the year (1999: £nil). Retained profits transferred to reserves amounted to £194,411 (1998: £241,988).

Future activities

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
W Downs

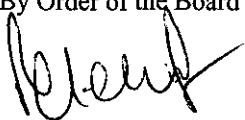
None of the directors holds any shares in the company and there are no arrangements whereby any director is able to acquire shares in the company (1999: £nil).

Auditors

On 2 August 2000 PricewaterhouseCoopers resigned as auditors, and KPMG were appointed as the new auditors of the company.

In accordance with Section 385 of the Companies Act 1985, a resolution for the appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



EJP Wareham
Secretary

Bedford House
69-79 Fulham High Street
London
SW6 3JW

Ken April 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 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;
- 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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London
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Auditors' report to the members of BMG Songs Limited

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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

KPMG

*Chartered Accountants
Registered Auditors*

11 April 2001

Profit and loss account

for the year ended 30 June 2000

	Note	2000 £	1999 £
Turnover	<i>1</i>	780,243	603,572
Cost of sales		(542,882)	(396,913)
		<hr/>	<hr/>
Gross profit		237,361	206,659
Administrative expenses	<i>2</i>	(40,750)	(43,450)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>3</i>	196,611	163,209
Tax on profit on ordinary activities	<i>4</i>	(2,200)	78,779
		<hr/>	<hr/>
Profit on ordinary activities after taxation	<i>7</i>	194,411	241,988
Retained profit brought forward	<i>7</i>	654,761	412,773
		<hr/>	<hr/>
Retained profit carried forward	<i>7</i>	849,172	654,761
		<hr/>	<hr/>

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

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

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


Balance sheet

at 30 June 2000

	Note	2000 £	1999 £
Current assets			
Debtors	5	2,185,747	1,726,549
Creditors: amounts falling due within one year	6	(1,186,575)	(921,788)
Net assets		<u>999,172</u>	<u>804,761</u>
Equity capital and reserves			
Called up share capital	8	150,000	150,000
Profit and loss account	7	849,172	654,761
Total equity shareholders' funds	9	<u>999,172</u>	<u>804,761</u>

These financial statements were approved by the board of directors on 9th April 2001 and were signed on its behalf by:

P Curran
Director



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

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 to the company's financial statements.

Basis of accounting

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

The company is exempt from the requirements of Financial Reporting Standard 1, Cash flow statements, being a wholly owned subsidiary of Bertelsmann AG, a company incorporated in Germany and which prepares consolidated financial statements containing a consolidated cash flow statement including the cash flows of the company.

Turnover

Turnover represents copyright royalties receivable excluding VAT.

Taxation

The charge for the year is based on the profit for the year.

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.

Advances to writers and publishers

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

2 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:

	2000 £	1999 £
Aggregate emoluments	17,706	16,794
Company pension contributions to money purchase schemes	2,238	2,790
	<hr/> 19,944	<hr/> 19,584

Retirement benefits are accruing to 2 directors (1999: 2) under a money purchase scheme.

Notes (continued)

3 Profit on ordinary activities before taxation

	2000 £	1999 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration	500	1,850

The average number of employees during the year was nil (1999: nil).

4 Tax on profit on ordinary activities

	2000 £	1999 £
UK corporation tax charge at 30% (1999: 30.75%)	58,983	49,779
Adjustment for prior years - corporation tax	410	1,889
- group relief	(57,193)	(130,447)
	<u>2,200</u>	<u>(78,779)</u>

5 Debtors

	2000 £	1999 £
Amounts owed by group undertakings	1,931,126	1,466,504
Prepayments and accrued income	254,621	260,045
	<u>2,185,747</u>	<u>1,726,549</u>

6 Creditors: amounts falling due within one year

	2000 £	1999 £
Amounts due to group undertakings	461,718	323,658
Corporation tax	58,983	56,783
Accruals and deferred income	665,203	541,347
Other taxation and social security	671	-
	<u>1,186,575</u>	<u>921,788</u>

Notes (continued)

7 Reserves

Profit and loss account	
2000	1999
£	£
At beginning of year	654,761
Profit for the year	412,773
	194,411
At end of year	241,988
	654,761

8 Called up share capital

2000	1999
£	£
<i>Authorised, allotted, called up and fully paid</i>	
150,000 (1999: 150,000) Ordinary shares of £1 each	150,000

9 Reconciliation of movements in equity shareholders' funds

2000	1999
£	£
Profit for the financial year	194,411
	241,988
Net addition to equity shareholders' funds	194,411
Total equity shareholders' funds at 1 July 1999	804,761
Total equity shareholders' funds at 30 June 2000	999,172

Notes (continued)

10 Ultimate holding company

The company is a wholly owned subsidiary of BMG Music Limited, a company incorporated in England and Wales.

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

The largest and smallest group for which consolidated financial statements 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 financial statements can be obtained	Carl Bertelsmann Strasse 270 4830 Gütersloh 1 Germany

11 Related party transactions

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Bertelsmann AG group of companies. There are no other related party transactions.