

UFA VIDEO AND MEDIA (UK) LIMITED

DIRECTORS' REPORT AND BALANCE SHEET

30 JUNE 1997

Registered Number: 2218343



UFA VIDEO AND MEDIA (UK) LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements of the company for the year ended 30 June 1997.

PRINCIPAL ACTIVITY

The principal activity of the company is the exploitation of video rights.

BUSINESS REVIEW AND RESULTS

The company has not traded during the year and consequently has incurred neither a profit nor loss (1996: £Nil). The directors do not recommend the payment of a dividend (1996: £Nil).

FUTURE PROSPECTS

The directors are of the opinion that the company will remain dormant for the foreseeable future.

DIRECTORS

The directors who held office during the year were:

John Preston (resigned 30 January 1998)

Mark Stanton (resigned 1 November 1997)

Simon Robinson (appointed 1 November 1997)

At the year end none of the directors held any beneficial interest in the shares of the company (1996: Nil).

DIRECTORS' LIABILITY INSURANCE

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

UFA VIDEO AND MEDIA (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

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:

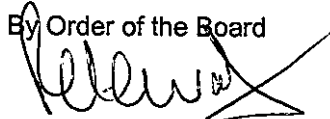
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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

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



Peter Wareham
Secretary

27 April 1998

Price Waterhouse



REPORT OF THE AUDITORS TO THE MEMBERS OF UFA VIDEO AND MEDIA (UK) LIMITED

We have audited the financial statements on pages 4 to 6 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

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 1997 and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors

27 April 1998

UFA VIDEO AND MEDIA (UK) LIMITED

BALANCE SHEET - 30 JUNE 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
CURRENT ASSETS			
Debtors	4	<u>1,442</u>	<u>1,442</u>
		1,442	1,442
CREDITORS (amounts falling due within one year)	5	<u>(44,072)</u>	<u>(44,072)</u>
NET CURRENT LIABILITIES		<u>(42,630)</u>	<u>(42,630)</u>
NET ASSETS		<u>(42,630)</u>	<u>(42,630)</u>
EQUITY CAPITAL AND RESERVES			
Called up share capital	6	100	100
Profit and loss account		<u>(42,730)</u>	<u>(42,730)</u>
EQUITY SHAREHOLDERS' FUNDS	7	<u>(42,630)</u>	<u>(42,630)</u>

Approved by the Board on 27 April 1998



S Robinson
Director

The notes on pages 5 to 6 form part of these financial statements.

UFA VIDEO AND MEDIA (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997

1 ACCOUNTING POLICIES

(1) Accounting convention and Accountancy Standards

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

(2) Royalty advances

Advances paid to artists in respect of future royalties together with recording costs recoverable from future royalties are carried forward as an asset pending recovery through royalties earned on future video sales. When full recovery is uncertain, these costs are written down to estimated recoverable amounts.

2 DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the company during the year (1996: £Nil).

3 EMPLOYEES

The average number of employees during the year was nil (1996: Nil).

4 DEBTORS

	<u>1997</u>	<u>1996</u>
	£	£
Royalty advances	500	500
Amounts owed by group undertakings - group relief	<u>942</u>	<u>942</u>
	1,442	1,442
	<u> </u>	<u> </u>

5 CREDITORS (amounts falling due within one year)

	<u>1997</u>	<u>1996</u>
	£	£
Amounts owed to group undertakings	43,908	43,908
Amounts owed to group undertakings - group relief	<u>164</u>	<u>164</u>
	44,072	44,072
	<u> </u>	<u> </u>

UFA VIDEO AND MEDIA (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997 (CONTINUED)

6 CALLED UP SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
	£	£
Authorised, allotted and fully paid		
100 (1996:100) ordinary shares of £1 each	<u>100</u>	<u>100</u>

7 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

There was no movement in the equity shareholders' funds during the year (1996:£Nil).

8 FINANCIAL POSITION

BMG Entertainment International UK & Ireland Limited has confirmed that it is its present intention to finance the company so as to enable it to meet its liabilities as they fall due and carry on its business for the foreseeable future without significant curtailment of operations.

9 ULTIMATE HOLDING COMPANY

The ultimate holding company and ultimate controlling party of UFA Video and Media (UK) Limited is Bertelsmann AG, a company incorporated in Germany.

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 copies of the Group accounts can be obtained	Carl Bertelsmann Strasse 270 33311 Gütersloh 1 Germany