Dedicated Limited

Directors' report and financial statements

Registered number 2426030

30 June 2000

Contents

Directors' report

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

Principal activities and business review

The principal activity of the company is the production and promotion of recordings by international recording artists.

Results and dividends

The directors do not recommend the payment of a dividend *(1999: £nil)*. The retained loss for the year of £34,155 *(1999: profit of £151,086)* has been transferred to reserves.

Business review

The results for the year are detailed on page 5.

Directors and directors' interests

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

J Liebeson	(resigned 1 July 1999)
R Gassner	(resigned 1 July 1999)
S Robinson	(resigned 2 March 2001)
D Kooker	(appointed 1 March 2001)

No directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

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

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

P Wareham
Secretary

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

27th 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 or 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 group and to prevent and detect fraud and other irregularities.

KPMG
PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditors to the members of Dedicated Limited

We have audited the financial statements on pages 5 to 10.

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 audit 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

27 April 2001

Profit and loss account

for the year ended 30 June 2000

	Note	2000 £	1999 £
Turnover	*1,2*	**45,575**	444,508
Cost of sales		**(13,600)**	(174,026)
Gross profit		**31,975**	270,482
Administrative expenses		**5,170**	(36,256)
Operating profit		**37,145**	234,226
Interest payable and similar charges	6	**(71,300)**	(83,140)
(Loss)/profit on ordinary activities before taxation	*3,5*	**(34,155)**	151,086
Tax on (loss)/profit on ordinary activities	*7*	**-**	-
(Loss)/profit for the financial year	*13*	**(34,155)**	151,086
Retained loss brought forward	*13*	**(8,519,122)**	(8,670,208)
Retained loss carried forward	*13*	**(8,553,277)**	(8,519,122)

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

The company has no recognised gains or losses other than the loss for the year and therefore no separate statement of total recognised gains and losses has been presented.

The loss on a historical cost basis is the same as the reported loss.

Balance sheet

at 30 June 2000

	Note	2000	1999
		£	£
Current assets			
Stocks	*8*	**3,750**	6,887
Debtors	*9*	**273,142**	274,888
		276,892	281,775
Creditors: amounts falling due within one year	*10*	**(2,830,069)**	(2,800,797)
Net liabilities		**(2,553,177)**	(2,519,022)
Capital and reserves			
Called up share capital	*11*	**6,000,100**	6,000,100
Profit and loss account	*12*	**(8,553,277)**	(8,519,122)
Shareholders' deficit	*15*	**(2,553,177)**	(2,519,022)
Shareholders' funds/(deficit):			
Equity		**(8,553,177)**	(8,519,022)
Non-equity		**6,000,000**	6,000,000
		(2,553,177)	(2,519,022)

These financial statements were approved by the board of directors on 27th April 2001 and were signed on its behalf by:

D Kooker
Director

The notes on pages 6 to 10 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 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 of its size.

The accounts have been prepared on a going concern basis in view of an undertaking from the parent company to provide such support as is necessary to maintain the company as a going concern.

Stocks

Stocks are stated at the lower of cost and net realisable value.

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.

Turnover

Turnover represents sales to customers, at invoiced amounts less value added tax, and royalty income.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using 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

Where the company enters into a lease which does not entail taking substantially all of the risks and rewards of ownership of an asset, the lease is accounted for as an 'operating lease' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes *(continued)*

2 Profit/(loss) on ordinary activities before taxation

Geographical analysis of turnover

	2000	1999
	£	£
United Kingdom	**45,575**	444,508

3 (Loss)/profit on ordinary activities before taxation

	2000	1999
	£	£
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration	-	2,000
Loss on sale of fixed assets	-	4,690

The 2000 auditors' remuneration was borne by the immediate parent undertaking, BMG Entertainment International UK & Ireland Limited.

4 Remuneration of directors

The directors did not receive any remuneration relating to the year *(1999: £nil)*.

5 Staff numbers and costs

There were no employees (other than directors) or staff costs in the current or prior year.

Notes *(continued)*

6 Interest payable and similar charges

	2000	1999
	£	£
On bank loans and overdrafts	**71,300**	83,140

7 Tax on loss on ordinary activities

No liability to corporation tax arises on the loss for the year.

8 Stock

	2000	1999
	£	£
Finished goods and goods for resale	**3,750**	6,887

9 Debtors

	2000	1999
	£	£
Trade debtors	**272,800**	273,765
Other debtors	**342**	1,123
	273,142	274,888

Notes *(continued)*

10 Creditors: amounts falling due within one year

	2000	1999
	£	£
Bank overdraft	-	1,230,910
Trade creditors	468	12,248
Amounts owed to group undertakings	2,829,320	1,489,657
Accruals and deferred income	-	67,982
Other creditors	281	-
	2,830,069	2,800,797

11 Called up share capital

	2000	1999
	£	£
Authorised		
Equity: 100 ordinary shares of £1 each	100	100
Non-equity: 6,000,000 preference shares of £1 each	6,000,000	6,000,000
	6,000,100	6,000,100
Allotted, called up and fully paid		
Equity: 100 ordinary shares of £1 each	100	100
Non-equity: 6,000,000 preference shares of £1 each	6,000,000	6,000,000
	6,000,100	6,000,100

The preference shares are redeemable in lots of 500 once the company makes a profit available for distribution. On a winding up, they would have a priority over the ordinary shares. The shares do not carry any voting rights or rights to a dividend.

12 Reserves

	Profit and loss account
	£
At beginning of year	(8,519,122)
Retained loss for the year	(34,155)
At end of year	**(8,553,277)**

Notes *(continued)*

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

The company is a wholly owned subsidiary undertaking of Bertelsmann AG, a company incorporated in Germany.

The largest and smallest group in which the results of the company are consolidated is that headed by Bertelsmann AG. The consolidated accounts of this group are available to the public and may be obtained from Carl Bertelsmann Strasse 270, 33311 Gütersloh1, Germany. No other group accounts include the results of the company.

14 Related party disclosures

As the company is a wholly owned subsidiary of Bertelsmann AG it has taken advantage of the exemptions in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of Bertelsmann AG.

15 Reconciliation of movement in shareholders' deficit

	2000	1999
	£	£
(Loss)/profit for the financial year	**(34,155)**	151,086
Opening shareholders' deficit	**(2,519,022)**	(2,670,108)
Closing shareholders' deficit	**(2,553,177)**	(2,519,022)

16 Contingent asset

In February 2000, the company exercised its right to undertake an examination of the accounts and records of its distributor, Vital Distribution Limited. This examination covered the period from 1 January 1996 to 30 June 1998 and as a result, the directors consider that additional income is due under the terms of the agreement. The amount under discussion is £63,000 and at present management are unable to quantify the expected settlement.