

Company no: 3185285

**BERTELSMANN UK LIMITED**

FINANCIAL STATEMENTS

31 DECEMBER 2004



# BERTELSMANN UK LIMITED

## REPORT OF THE DIRECTORS

The directors present their annual report and audited financial statements for the year ended 31 December 2004.

### Business review

The company acts as the intermediate holding company for some of the UK based subsidiaries of Bertelsmann AG.

The results of the company for the year are set out in the attached financial statements.

The directors are of the opinion that the state of the company's affairs was satisfactory at 31 December 2004 and that the company will continue to develop in the future.

### Dividend

The directors do not recommend the payment of a dividend.

### Directors

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

M Gardiner  
J Hernler  
I Hudson  
M Wilhelm

None of the directors at 31 December 2004 had any interest in the shares of any group company at either the beginning or end of the year.

By Order of the Board



For and on behalf of  
Gray's Inn Secretaries Limited  
Secretary

5 Chancery Lane  
Clifford's Inn  
LONDON  
EC4A 1BU

27 June 2005

## **BERTELSMANN UK LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Companies Act 1985 requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss for the period to that date.

The directors are responsible for maintaining appropriate accounting records which disclose with reasonable accuracy the financial position of the company at any time and 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.

The directors confirm that the accounts have been prepared using suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The directors also confirm that the accounts have been prepared following applicable UK accounting standards and on a going concern basis.

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BERTELSMANN UK LIMITED**

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

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 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 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.*

  
KPMG LLP

Chartered Accountants  
Registered Auditor  
PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

17 June 2005

# BERTELSMANN UK LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2004

	Notes	2004 £	2003 £
Administrative expenses	2	(307,396)	(290,238)
Operating loss		<u>(307,396)</u>	<u>(290,238)</u>
Profit on disposal of investments		-	9,674,143
Income from shares in group companies		12,000,000	60,000,000
Interest receivable	2	1,278,857	1,813,747
Intercompany loan waived		-	714,758
Impairment of investments and amounts due from group undertakings		(9,996)	(9,251,541)
Interest payable	2	(9,527,400)	(8,552,022)
<b>Profit on ordinary activities before taxation</b>		<u>3,434,065</u>	<u>54,108,847</u>
Taxation on profit on ordinary activities	3	4,276,565	2,109,315
Profit for the financial year transferred to reserves	8	<u><u>7,710,630</u></u>	<u><u>56,218,162</u></u>

The company has no recognised gains or losses other than as disclosed in the Profit & Loss Account.

### RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

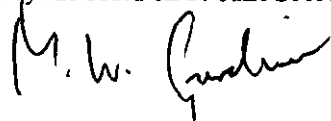
Retained profit for the financial year	7,710,630	56,218,162
Shareholders' funds at 1 January 2004	105,287,519	49,069,357
Shareholders' funds at 31 December 2004	<u><u>112,998,149</u></u>	<u><u>105,287,519</u></u>

# BERTELSMANN UK LIMITED

## BALANCE SHEET As at 31 December 2004

	Notes	2004 £	2003 £
<b>Fixed Assets</b>			
Investments	4	238,029,473	203,307,082
<b>Current assets</b>			
Debtors	5	121,299,706	136,259,812
Cash at bank		2,822,121	1,900,811
		<u>124,121,827</u>	<u>138,160,623</u>
Creditors: amounts falling due within one year	6	(249,153,151)	(236,180,186)
<b>Net current liabilities</b>		<u>(125,031,324)</u>	<u>(98,019,563)</u>
<b>Total assets less current liabilities</b>		<u><u>112,998,149</u></u>	<u><u>105,287,519</u></u>
<b>Equity capital and reserves</b>			
Called up share capital	7	155,000,002	155,000,002
Share premium account		654,528	654,528
Profit and loss account	8	(42,656,381)	(50,367,011)
<b>Equity shareholders' funds</b>		<u><u>112,998,149</u></u>	<u><u>105,287,519</u></u>

Approved by the board on 27 June 2005.



M GARDINER  
Director

# BERTELSMANN UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004

### 1. ACCOUNTING POLICIES

#### Basis of preparation of accounts

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt, by virtue of s228 of the Companies Act 1985, from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about the group.

#### Investments

Investments are stated at cost. Provision is made for impairment.

#### Deferred taxation

Deferred Tax assets and liabilities are recognised in respect of all material timing differences between the recognition of gains and losses in the financial statements and for tax purposes. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

	2004 £	2003 £
<b>2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		
The profit on ordinary activities before tax is stated after crediting or charging:		
Auditors' remuneration:		
audit services	10,000	10,000
other services	19,820	10,000
	<hr/>	<hr/>
Interest receivable:		
on loans to group undertakings	982,999	1,809,132
other	295,858	4,615
	<hr/>	<hr/>
	1,278,857	1,813,747
	<hr/>	<hr/>
Interest payable:		
on bank loans and overdrafts	85,907	301,326
on loans from group undertakings	9,285,645	8,250,696
other	155,848	-
	<hr/>	<hr/>
	9,527,400	8,552,022
	<hr/>	<hr/>

The company had no employees during either 2003 or 2004.

No director received any remuneration from the company during either 2003 or 2004.

# BERTELSMANN UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (continued)

	2004 £	2003 £
3. TAX ON PROFIT ON ORDINARY ACTIVITIES		
Group relief receivable in respect of UK corporation tax losses surrendered	4,001,432	2,100,000
Adjustment of group relief of prior years	275,133	9,315
	<u>4,276,565</u>	<u>2,109,315</u>
4. INVESTMENTS	Shares in group undertakings £	
Cost:		
at 1 January 2004	286,558,754	
additions	34,722,391	
disposal	(10,000)	
	<u>321,271,145</u>	
at 31 December 2004		
Provision for impairment:		
at 1 January 2004	83,251,672	
eliminated on disposal	(10,000)	
	<u>83,241,672</u>	
at 31 December 2004		
Net book value:		
at 31 December 2004	<u>238,029,473</u>	
at 31 December 2003	<u>203,307,082</u>	

The company's investments in group undertakings, all of which are incorporated in England and owned 100% by the company, at 31 December 2004 comprised:

	<u>Principal activity</u>
Arvato Services Limited	support services
Arvato Systems UK & Ireland Limited	software services
Book Club Associates Limited	holding company
Book Club Trading Limited	holding company
BookTailor Limited	dormant
Gravureworx Limited	printing
Pinnacle Arvato Limited	distribution
The Random House Group Limited	book publishing
Sonopress (UK) Limited	manufacturing
Zomba Distribution Holdings Limited	holding company

The directors consider the value of the investments to be not less than that stated in the balance sheet of the company.



# BERTELSMANN UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004 (continued)

	2004 £	2003 £
5. DEBTORS		
Amounts owed by group undertakings	111,719,998	134,800,470
Corporation tax recoverable	2,601,676	-
Group relief receivable	6,978,032	1,459,342
	<u>121,299,706</u>	<u>136,259,812</u>
6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Amounts owed to group undertakings	245,720,328	236,110,596
Group relief payable	3,224,677	-
Accruals	208,146	69,590
	<u>249,153,151</u>	<u>236,180,186</u>
7. CALLED UP SHARE CAPITAL		
Authorised:		
Ordinary shares of £1 each	<u>170,000,002</u>	<u>170,000,002</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>155,000,002</u>	<u>155,000,002</u>
8. PROFIT AND LOSS ACCOUNT	£	
Balance at 1 January 2004	(50,367,011)	
Profit for the year	7,710,630	
Balance at 31 December 2004	<u>(42,656,381)</u>	

## **BERTELSMANN UK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2004**

(continued)

#### **9. RELATED PARTIES**

The company's parent company, and ultimate parent company, is Bertelsmann AG, which is incorporated in Germany, copies of whose accounts can be obtained from

Bertelsmann AG  
Corporate Communications  
Carl Bertelsmann Strasse 270  
Postfach 111  
D-33311 Gütersloh  
Germany

As the company is a wholly owned subsidiary of Bertelsmann AG the company is exempt from the requirements, under Financial Reporting Standard 1, to prepare a cash flow statement and, under Financial Reporting Standard 8, to disclose transactions with entities that are part of the group. The company has taken advantage of these exemptions.