

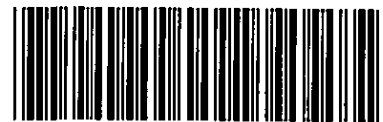
Company no 3185285

BERTELSMANN UK LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2009

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BERTELSMANN UK LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and audited financial statements for the year ended 31 December 2009

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

As a result of dividends received the company made a profit in 2009 and now has positive shareholders' funds. As referred to in last year's report, the company completed the disposal of its investments in Book Club Associates Limited and Book Club Trading Limited in 2009. The company also disposed of its investment in BMG Rights Management UK Limited during the year. In addition the company incurred significant losses in the year from the impairment of investments and the waiver of loans to group companies. The reduction in market interest rates has been a significant factor in the reduced amounts of interest received and paid compared to last year.

As in 2008 the company has net current liabilities arising, principally, from the group cash pooling arrangements. The financial statements have been prepared on a going concern basis in view of the fact that the company is dependent for its working capital on funds provided to it by its parent undertaking, Bertelsmann AG, and its parent has indicated that it will provide sufficient funding to the company to meet its liabilities, including the loan due for repayment in July 2011, as they fall due until at least 31 December 2011. The directors have no reason to believe that the parent company will not be in a position to provide this support and, accordingly, they have prepared these financial statements on a going concern basis.

Dividend

The directors do not recommend the payment of a dividend.

Directors

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

F Carro de Prada resigned 19 May 2009

M Gardiner

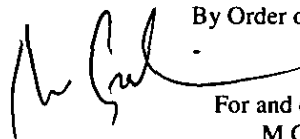
R Grant

J Hemler resigned 30 April 2010

Mr M Beisheim was appointed as a director on 30 April 2010

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

 By Order of the Board
For and on behalf of
M GARDINER
Director

One Fleet Place
LONDON
EC4M 7WS

14 June 2010

BERTELSMANN UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BERTELSMANN UK LIMITED

We have audited the financial statements of Bertelsmann UK Limited for the year ended 31 December 2009 set out on pages 4 to 10. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with the UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Richard Bawden (Senior Statutory Auditor),
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Salisbury Square, London, EC4Y 8BB

15 June 2010

BERTELSMANN UK LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2009

	Notes	2009 £	2008 £
Administrative expenses	2	(223 532)	(310,832)
Operating loss		<u>(223,532)</u>	<u>(310,832)</u>
Impairment of investments and amounts due from group undertakings		(7,735,388)	(69,489 506)
Operating loss after impairments		<u>(7,958,920)</u>	<u>(69,800,338)</u>
Profit on disposal of investments		3,906,632	-
Income from shares in group undertakings		35 164,613	-
Interest receivable	2	643,321	3,687,735
Interest payable	2	(2,787,452)	(12,871,740)
Profit/(loss) on ordinary activities before taxation		<u>28,968,194</u>	<u>(78,984,343)</u>
Taxation on profit/(loss) on ordinary activities	3	647,083	10,973,272
Profit/(loss) for the financial year	9	<u><u>29,615,277</u></u>	<u><u>(68,011,071)</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

Shareholders' funds at beginning of period	(14,208,462)	53,802,609
Retained profit/(loss) for the financial year	29,615,277	(68,011,071)
Shareholders' funds at end of period	<u>15,406,815</u>	<u>(14,208,462)</u>

BERTELSMANN UK LIMITED

Company no 3185285

BALANCE SHEET As at 31 December 2009

	Notes	2009 £	2008 £
Fixed Assets			
Investments	4	216,766,135	210,177,791
Current assets			
Debtors	5	23,404,614	40,843,914
Cash at bank		38,110,201	34,156,330
		<u>61,514,815</u>	<u>75,000,244</u>
Creditors amounts falling due within one year	6	<u>(180,270,279)</u>	<u>(157,907,694)</u>
Net current liabilities		<u>(118,755,464)</u>	<u>(82,907,450)</u>
Total assets less current liabilities		98,010,671	127,270,341
Creditors amounts falling due in more than one year	7	<u>(82,603,856)</u>	<u>(141,478,803)</u>
Net assets/(liabilities)		<u><u>15,406,815</u></u>	<u><u>(14,208,462)</u></u>
Equity capital and reserves			
Called up share capital	8	180,000,002	180,000,002
Share premium account		654,528	654,528
Profit and loss account	9	<u>(165,247,715)</u>	<u>(194,862,992)</u>
Total shareholders' funds/(deficit)		<u><u>15,406,815</u></u>	<u><u>(14,208,462)</u></u>

These financial statements were approved by the board of directors on 14 June 2010
and were signed on its behalf by

M GARDINER
Director



BERTELSMANN UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

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 s400 of the Companies Act 2006, from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about the group.

Going concern

The financial statements have been prepared on a going concern basis in view of the fact that the company is dependent for its working capital on funds provided to it by its parent undertaking, Bertelsmann AG, and its parent has indicated that it will provide sufficient funding to the company to meet its liabilities, including the loan due for repayment in July 2011, as they fall due until at least 31 December 2011. The directors have no reason to believe that the parent company will not be in a position to provide this support and, accordingly, they have prepared these financial statements on a going concern basis.

Cash flow statement

The company has taken advantage of the provisions of FRS1 not to publish a cash flow statement as its ultimate parent company, Bertelsmann AG, has prepared consolidated financial statements which are publicly available and include a consolidated cash flow statement.

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.

	2009 £	2008 £
2 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX		
The profit/(loss) on ordinary activities before tax is stated after crediting or charging		
Auditors' remuneration		
audit of these financial statements	12 000	12 000
other services relating to taxation	3 529	13 116
	<hr/>	<hr/>
Interest receivable		
on loans to group undertakings	481,363	3 207,293
other	161,958	480,442
	<hr/>	<hr/>
	643,321	3,687,735
	<hr/>	<hr/>
Interest payable		
on bank loans and overdrafts	2 817	78 139
on loans from group undertakings	2,784,635	12 793,601
	<hr/>	<hr/>
	2,787,452	12,871,740
	<hr/>	<hr/>

The company had no employees during either 2008 or 2009.

No director received any remuneration from the company during either 2008 or 2009.

BERTELSMANN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009 (continued)

	2009 £	2008 £
3 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES		
Group relief (payable)/receivable in respect of		
UK corporation tax losses surrendered	(267,983)	6,311,079
Adjustment of group relief of prior years	915,066	4 662,193
	<u>647,083</u>	<u>10,973,272</u>

As a result of the group tax pooling arrangements the company has the benefit of some tax losses being surrendered for nil consideration in 2009. The company's income is, therefore, greater than would be expected on a stand-alone basis as it is charging other group companies for tax losses at the standard UK corporation tax rate of 28%.

4 INVESTMENTS	Shares in group undertakings £
Cost	
at 1 January 2009	400 733 817
additions	10 780 000
disposal	(159,223,347)
at 31 December 2009	<u>252,290,470</u>
Provision for impairment	
at 1 January 2009	190 556 026
additions	4,191,656
eliminated on disposal	(159,223,347)
at 31 December 2009	<u>35,524,335</u>
Net book value	
at 31 December 2009	<u>216,766,135</u>
at 31 December 2008	<u>210,177,791</u>

The company's investments in group undertakings are listed on page 10.

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

The additions of £10.8m comprise the transfer of Arvato Loyalty Services Ltd from another subsidiary and the subscription for additional shares in subsidiaries. The disposals are of Book Club Associates Ltd, Book Club Trading Ltd and Movota Ltd.

The additional provisions for impairment arise, mainly, because subsidiaries have paid dividends and thereby reduced their net asset value.

BERTELSMANN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

(continued)

	2009 £	2008 £
5 DEBTORS		
Amounts owed by group undertakings	12,579,498	24,994,489
Corporation tax recoverable	-	2,200,000
Group relief receivable	10 825 116	13,649,425
	<u>23,404,614</u>	<u>40,843,914</u>
 6 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR		
Amounts owed to group undertakings	167,388,311	141,846,421
Corporation tax payable	1,731,297	1,731,297
Group relief payable	11 093,099	7,358,191
Accruals	57 572	6,971,785
	<u>180,270,279</u>	<u>157,907,694</u>
 7 CREDITORS AMOUNTS FALLING DUE IN MORE THAN ONE YEAR		
Amounts owed to group undertakings	<u>82,603,856</u>	<u>141,478,803</u>
The loan, from the company's parent company, Bertelsmann AG, bears interest at normal commercial rates and is due for repayment in July 2011		
 8 CALLED UP SHARE CAPITAL		
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	<u>180 000,002</u>	<u>180 000,002</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>180 000,002</u>	<u>180 000 002</u>
 9 PROFIT AND LOSS ACCOUNT	£	
Balance at 1 January 2009	(194 862 992)	
Profit for the year	29,615,277	
Balance at 31 December 2009	<u>(165,247,715)</u>	

BERTELSMANN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

(continued)

10 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
33311 Gutersloh
Germany

As the company is a wholly owned subsidiary of Bertelsmann AG the company is exempt from the requirement, under Financial Reporting Standard 8, to disclose transactions with entities that are wholly owned by the group. The company has taken advantage of this exemption.

During the year the company entered into the following material transactions with related parties not wholly owned by the group

	2009 £	2008 £
Administrative expenses		
FremantleMedia Group Limited	113,347	114,073
Interest income		
Arvato Government Services Limited	45,689	71,938
Arvato Government Services Sefton Limited	47,558	23,810
Interest expense		
Woodlands Books Ltd	3,255	-
Debtors		
Arvato Government Services Limited	2,400,000	1,400,000
Arvato Government Services Sefton Limited	1,000,000	1,000,000
Creditors		
Woodlands Books Limited	5,465,931	-

BERTELSMANN UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009

(continued)

INVESTMENTS IN GROUP UNDERTAKINGS

The company's investments in group undertakings, all of which are incorporated in England and, unless otherwise stated, owned 100% by the company, at 31 December 2009 comprised

	<u>Principal activity</u>	<u>% owned</u>
Arvato Entertainment Services (Milton Keynes) Limited	non-trading company	
Arvato Finance Services Limited	support services	
Arvato Government Services Limited	support services	80.1%
Arvato Government Services (ERYC) Limited	support services	
Arvato Logistics Services Limited	non-trading company	
Arvato Loyalty Services Limited	support services	
Arvato SCM Limited	distribution	
Arvato Services Limited	support services	
Arvato Services (East Riding) Limited	support services	
Arvato Systems UK & Ireland Limited	software services	
Moonriver Group Limited	non-trading company	
The Random House Group Limited	book publishing	
Sonopress (UK) Limited	manufacturing	