

**Company Registration No. 03270798**

**Ram Records Limited**

**Reports and Financial Statements**

**31 December 2017**



# **Ram Records Limited**

## **Reports and Financial Statements 2017**

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# **Ram Records Limited**

## **Reports and financial statements 2017**

### **Officers and professional advisers**

#### **Directors**

Alexi Cory-Smith (resigned 19 December 2017)  
Scott Bourne  
Andrew Clarke  
Maximilian Dressendörfer  
Hartwig Masuch  
Alistair Norbury (appointed 5 January 2018)  
Paul Wilson

#### **Company Secretary**

Erika Brennan (resigned 30 June 2017)

#### **Registered Office**

8<sup>th</sup> Floor  
5 Merchant Square  
London  
United Kingdom  
W2 1AS

#### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
WC2N 6RH

# Ram Records Limited

## Strategic report

The directors present their Strategic report for the year ended 31 December 2017 for Ram Records Limited (the "Company").

### Business review

The Company is a wholly-owned United Kingdom subsidiary of BMG Rights Management (UK) Limited ("BMG UK"). The Company owns and administers rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use.

### Strategy

The Company is part of an international group of companies focused on the management of music rights. The Company will continue to exploit its rights in conjunction with other members of the BMG group.

### Key performance indicators

The directors monitor the Company's performance in a number of ways including key performance indicators such as reported revenue, net contribution (revenue received less royalties payable) and operating profit/(loss), Earnings Before Interest and Taxes; ("EBIT") and EBITDA (as adjusted for depreciation and amortisation). The Company is financed through intercompany funding from its group parent companies and through equity. The Company continues to perform in line with expectations.

### Business performance

As shown in the Company's Statement of comprehensive income on page 9, the Company reported revenues of £605,000 (2016: £258,000) and a gross profit of £68,000 (2016: loss of £35,000) during the year. Loss from operations was £21,000 (2016: £526,000).

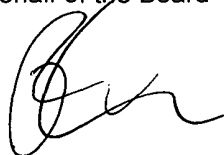
The net liabilities as at 31 December 2017 were £502,000 (2016: £473,000).

### Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of BMG Rights Management (UK) Limited and its subsidiaries and are not managed separately. Accordingly, the principal risks and uncertainties of BMG Rights Management (UK) Limited, which include those of the Company, are discussed in those financial statements and does not form part of this report. BMG Rights Management (UK) Limited's financial statements are publically available and can be accessed at Companies House.

Approved by the Board of Directors  
and signed on behalf of the Board

Paul Wilson  
Director  
12 March 2018



# **Ram Records Limited**

## **Directors' report**

The directors present their Directors' report and audited financial statements for the year ended 31 December 2017 for Ram Records Limited (the "Company").

### **Principal activities**

The principal business of the Company during the year ended 31 December 2017 was the production and sale of all forms of recorded music.

### **Outlook**

The directors do not anticipate any significant change in the activities of the Company.

### **Business review**

Ram Records Limited owns and administers rights to musical compositions, exploits and markets these compositions and receives royalties or fees for their use.

### **Going concern**

The directors have considered the financial resources available along with the future plans for the Company and the support provided by the ultimate parent company, Bertelsmann SE & Co. KGaA, when considering the going concern status of the Company.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

### **Financial instruments**

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business. The Company's exposure to financial instruments are discussed in the notes to the financial statements under the heading "Financial instruments".

### **Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Alexi Cory-Smith (resigned 19 December 2017)

Scott Bourne

Andrew Clarke

Maximilian Dressendörfer

Hartwig Masuch

Alistair Norbury (appointed 5 January 2018)

Paul Wilson

### **Dividends**

The directors do not recommend a dividend (2016: £nil).

## **Ram Records Limited**

### **Directors' report (continued)**

#### **Statement of disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### **Independent Auditors**

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'Paul Wilson', written in a cursive style.

Paul Wilson  
Director

12 March 2018

## **Ram Records Limited**

### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 the financial statements comply with the Companies Act 2006.

The directors 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.

# **Ram Records Limited**

## **Independent auditors' report to the members of Ram Records Limited**

### **Report on the financial statements**

#### **Opinion**

In our opinion, Ram Records Limited's Financial Statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Reports and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2017; the Statement of comprehensive income, the Statement of cash flows, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.



## **Ram Records Limited**

### **Independent auditors' report to the members of Ram Records Limited (continued)**

#### **Reporting on other information (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### ***Strategic report and Directors' report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

#### **Responsibilities for the financial statements and the audit**

##### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

##### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## **Ram Records Limited**

### **Independent auditors' report to the members of Ram Records Limited (continued)**

#### ***Use of this report***

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

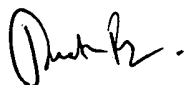
#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Jonathan Ford (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

12 March 2018

## Ram Records Limited

### Statement of comprehensive income for the year ended 31 December 2017

		Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
	Note		
<b>Continuing operations</b>			
Revenue	2	605	258
Cost of sales		(537)	(293)
		<hr/>	<hr/>
<b>Gross profit/(loss)</b>		68	(35)
Administrative expenses		(89)	(491)
		<hr/>	<hr/>
<b>Loss from operations</b>	3	(21)	(526)
Finance cost	4	(8)	-
		<hr/>	<hr/>
<b>Loss before taxation</b>		(29)	(526)
Taxation	7	-	95
		<hr/>	<hr/>
<b>Loss and total comprehensive loss for the year</b>		<hr/> (29) <hr/>	<hr/> (431) <hr/>

The accompanying notes are an integral part of this Statement of comprehensive income. For the year ended 31 December 2017, the Company did not have any items of other comprehensive income. All results relate to continuing operations.

# Ram Records Limited

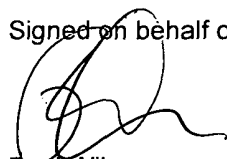
## Statement of financial position as at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Non-current assets</b>			
Property, plant and equipment	6	-	-
<b>Current assets</b>			
Trade and other receivables	8	176	324
Cash and cash equivalents	9	-	82
<b>Total current assets</b>		<u>176</u>	<u>406</u>
<b>Total assets</b>		<u>176</u>	<u>406</u>
<b>Current liabilities</b>			
Trade and other payables	10	678	879
<b>Total current liabilities</b>		<u>678</u>	<u>879</u>
<b>Net liabilities</b>		<u>(502)</u>	<u>(473)</u>
<b>Equity</b>			
Share capital	11	-	-
Capital redemption reserve		100	100
Accumulated losses		(602)	(573)
<b>Total equity</b>		<u>(502)</u>	<u>(473)</u>

The accompanying notes are an integral part of this Statement of financial position.

The financial statements, on pages 9 to 24, of Ram Records Limited, registered number 03270798, were approved by the Board of Directors on 12 March 2018.

Signed on behalf of the Board of Directors



Paul Wilson  
Director

## Ram Records Limited

### Statement of changes in equity for the year ended 31 December 2017

	Note	Share capital £'000	Capital redemption reserve £'000	Accumulated losses £'000	Total equity £'000
As at 1 January 2016		100	-	(142)	(42)
Loss and total comprehensive loss for the year		-	-	(431)	(431)
Purchase of own shares	11	(100)	100	-	-
As at 31 December 2016		-	100	(573)	(473)
Loss and total comprehensive loss for the year		-	-	(29)	(29)
As at 31 December 2017		-	100	(602)	(502)

On 29 January 2016, unpaid share capital of 99,000 Class E shares was fully paid up. Following this, a purchase of own shares was undertaken for 100,000 Class 'E' shares and 1 Class 'B' share at par value. Subsequently, 100,000 Class 'E' shares and 1 Class 'B' share were cancelled leaving 4 ordinary shares remaining in issue.

The accompanying notes are an integral part of this Statement of changes in equity.

## Ram Records Limited

### Statement of cash flows for the year ended 31 December 2017

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Loss before taxation	(29)	(526)
Adjustment for:		
Movement in advance provision	-	27
Finance costs	8	-
Management recharge	68	223
Loss on disposal of fixed assets	-	12
Operating profit/(loss) before movements in working capital	47	(264)
(Increase)/decrease in trade and other receivables	(222)	50
Decrease in stock	-	18
Increase in trade and other payables	93	245
Cash (used in)/generated from operations	(129)	313
<b>Net cash (used in)/generated from operating activities</b>	<b>(82)</b>	<b>49</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(82)</b>	<b>49</b>
Cash and cash equivalents at the beginning of the year	82	33
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>82</b>

The accompanying notes are an integral part of this Statement of cash flows.

# Ram Records Limited

## Notes to the financial statements Year ended 31 December 2017

### 1. Accounting policies

Ram Records Limited (the "Company") is a private company incorporated in the United Kingdom.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements.

#### Basis of preparation

The financial statements are presented in pounds sterling, rounded to the nearest thousand. They are prepared on the historical cost basis except for financial instruments which are recognised as per the measurement convention below.

The financial statements have been prepared in accordance with Companies Act 2006 and European Union ("EU") adopted International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS which requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

#### Measurement convention

The financial statements are prepared on the historical cost basis except financial instruments classified as fair value through the profit or loss. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

#### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report and Strategic report on pages 2 to 4. The directors have considered the financial resources available along with the future plans for the Company and the support provided by the ultimate parent company Bertelsmann SE & Co. KGaA, through a letter of support for a period of at least 12 months from signing the financial statements, when considering the going concern of the Company. After making enquiries, the directors have a reasonable expectation that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The ultimate parent company has confirmed its continued support of the Company.

# Ram Records Limited

## Notes to the financial statements Year ended 31 December 2017

### 1. Accounting policies (continued)

#### Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of financial position date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

#### Depreciation

Depreciation has been provided at the following rates in order to write off the assets over their estimated useful lives:

Office equipment	25% reducing balance
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#### Impairment excluding inventories and deferred tax assets

The carrying amounts of the Company's assets are reviewed at each Statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of comprehensive income.

#### Calculation of recoverable amount

The recoverable amount of the Company's receivables earned at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### Reversal of impairment

An impairment loss in respect of receivables earned at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



# Ram Records Limited

## Notes to the financial statements Year ended 31 December 2017

### 1. Accounting policies (continued)

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the Statement of cash flows.

#### Loan receivables and payables

Long term loans are measured at fair value net of transaction costs.

#### Trade and other receivables

Trade and other receivables to group companies include the group cash pooling financing facility with the parent company in Germany. The facility earns interest at a margin of 0.125% less the bank of England base rate. Trade and other receivables at the Statement of financial position date are stated at amortised cost which approximates to cost less impairment losses.

#### Trade and other payables

Trade and other payables to group companies include the group cash pooling financing facility with the parent company in Germany. The facility bears interest at a margin of 1.25% above the bank of England base rate. Trade and other payables at the Statement of financial position date are stated at amortised costs which approximates to cost less impairment.

#### Revenue

Revenue is measured at the fair value of the consideration receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and value added tax.

Revenue from royalty licensing is recognised in accordance with IAS 18. According to IAS 18.29 revenue from royalties shall be recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Where revenue streams have a forward visibility revenue is recognised on an accruals principle. If there is no or minimal forward visibility of revenue streams, it is not possible to measure the revenue streams reliably until cash is collected.

#### Master record royalties

Record royalties derived from the exploitation of the Company's master record rights is included on a receivable and/or due basis calculated on sales of records arising during each accounting year as reported by licensees. Based on the matching principle, royalties payable are accrued at the time the revenue is recognised.

Where the Company receives advances which are recoupable from future sales or profits, or are otherwise conditional on continued performance of duties by the Company, these are recorded as liabilities. Revenue is recognised as it is earned. The advance payments to artists are carried forward within other receivables where they relate to proven artists and where it is estimated that sufficient future income will be recouped against those advance payments.

Advance payments should be written off if these are not covered by future income. In case of unproven contract the advance payments should be immediately written off. Any other royalty licensing income is recognised on a cash basis.

#### Net financing costs

Net financing costs comprise interest payable and interest receivable on funds invested. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

# Ram Records Limited

## Notes to the financial statements Year ended 31 December 2017

### 1. Accounting policies (continued)

#### Taxation

Tax for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

#### Critical accounting judgements and key sources of estimation uncertainty

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

The Company uses estimates to calculate the artist royalties due for the second half of the year for all the royalty receipts and industry standard rates to estimate the royalty accruals.

Artist advance provisions were made during the year based on a recoupment profile calculation used across the BMG Group.

#### New standards, amendments and interpretations

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2017, have had a material impact on the group or parent company.

#### New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the group or parent company, except the following, set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. An expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Early adoption is permitted.

# Ram Records Limited

## Notes to the financial statements Year ended 31 December 2017

### 1. Accounting policies (continued)

The group is working towards the implementation of IFRS 9 on 1 January 2018. It anticipates that the classification and measurement basis for its financial assets and liabilities will be largely unchanged by adoption of IFRS 9, and expects to take the accounting policy choice to continue to account for all hedges under IAS 39. The main impact of adopting IFRS 9 is likely to arise from the implementation of the expected loss model. The expected impact at 1 January 2018 is to decrease retained earnings by £nil. No material impact on profit for future periods is expected.

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognised when the uncertainty is resolved. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, and earlier application is permitted. The group is working towards the implementation of IFRS 15 on 1 January 2018 and has carried out a review of existing contractual arrangements as part of this process which has not identified any material adjustments. Therefore the directors do not anticipate any impact on earnings in 2018 following adoption of the new standard. The profile of cash receipts is not affected by this standard.

### 2. Revenue

An analysis of the Company's revenue is as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
<b>Geographical Market</b>		
United Kingdom	599	252
North America	2	6
Europe	3	-
Rest of World	1	-
	<hr/> 605 <hr/>	<hr/> 258 <hr/>

The operations of the Company take place wholly in the United Kingdom. Revenue was derived principally from activities conducted within the United Kingdom. All assets used by the Company are held in the United Kingdom.

# Ram Records Limited

## Notes to the financial statements Year ended 31 December 2017

### 3. Loss from operations

Loss from operations is stated after charging:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Management recharge	68	58
Loss on disposal of property, plant and equipment	-	12
	<u>68</u>	<u>12</u>

The audit fee of £8,000 (2016: £11,000) was borne by the parent company, BMG Rights Management (UK) Limited.

### 4. Finance cost

	2017 £'000	2016 £'000
Finance cost	8	-
	<u>8</u>	<u>-</u>

### 5. Staff numbers and costs and directors' emoluments

The monthly average number of persons employed by the Company (including directors) during the year was nil (2016: nil).

#### Number of employees

Employees of the Company were terminated during January 2016 prior to the acquisition by BMG Rights Management (UK) Limited on 29 January 2016. The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Wages and salaries	-	13
Redundancy costs	-	-
Social security costs	-	1
	<u>-</u>	<u>14</u>
	<u>-</u>	<u>14</u>

The directors did not receive emoluments in respect of their services to the Company (2016: nil). Their emoluments were borne by the parent company, BMG Rights Management (UK) Limited.

# Ram Records Limited

## Notes to the financial statements Year ended 31 December 2017

### 6. Property, plant and equipment

	Office equipment £'000
<b>Cost</b>	
At 31 December 2016 and 31 December 2017	-
	-
<b>Accumulated depreciation</b>	
At 31 December 2016 and 31 December 2017	-
	-
<b>Net book amount at 31 December 2017</b>	-
Net book amount at 31 December 2016	-

### 7. Taxation

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
<b>Current taxation</b>		
UK corporation tax – current year	(8)	(95)
UK corporation tax – prior year	8	-
<b>Total tax credit</b>	-	(95)

The tax assessed for the year differs from (2016: is the same as) the standard effective rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20%). The differences are explained below:

# Ram Records Limited

## Notes to the financial statements Year ended 31 December 2017

### 7. Taxation (continued)

#### Tax reconciliation

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Loss before taxation	(29)	(526)
Tax at 19.25 % (2016: 20%)	(6)	(104)
Effects of:		
Movement of unrecognised losses	-	9
Other	(2)	-
UK corporation tax – prior year	8	-
Total tax credit	-	(95)

The company has a deferred tax asset of £72,000 (2016: £81,000) which has not been recognised because there is currently insufficient evidence that suitable profits will be generated to offset the future reversal of these temporary differences.

### 8. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	5	7
Trade and other receivables from group companies	17	158
Other receivables	154	159
	<u>176</u>	<u>324</u>

### 9. Cash and cash equivalents

	2017 £'000	2016 £'000
Cash at bank	-	82

## Ram Records Limited

### Notes to the financial statements Year ended 31 December 2017

#### 10. Trade and other payables

	2017 £'000	2016 £'000
Trade and other payables	41	32
Trade and other payables to group companies	377	585
Other payables	260	262
	<u>678</u>	<u>879</u>

Trade and other payables to group companies include the group cash pooling facility balance with the parent company.

#### 11. Share capital

	2017 £'000	2016 £'000
<b>Authorised, issued and fully paid:</b>		
4 (2016: 4) ordinary shares of £1 each	-	-

On 29 January 2016, unpaid share capital of 99,000 Class E shares was fully paid up. Following this, a purchase of own shares was undertaken for 100,000 Class 'E' shares and 1 Class 'B' share at par value. Subsequently, 100,000 Class 'E' shares and 1 Class 'B' share were cancelled leaving 4 ordinary shares remaining in issue.

#### 12. Financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business.

##### (a) Fair values of financial instruments

###### *Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of financial position date if the effect is material.

###### *Trade and other payables*

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Statement of financial position date if the effect is material.

###### *Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the Statement of financial position date.

###### *Interest-bearing borrowings*

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the Statement of financial position date.

###### *Fair values*

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the Statement of financial position are as follows:

# Ram Records Limited

## Notes to the financial statements Year ended 31 December 2017

### 12. Financial instruments (continued)

#### (a) Fair values of financial instruments (continued)

	31 December 2017		31 December 2016	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	224	224	166	166
Trade and other receivables from group companies	17	17	158	158
Trade and other payables	(41)	(41)	(32)	(32)
Trade and other payables to group companies	(377)	(377)	(585)	(585)
Loans payable to group companies	(325)	(325)	(262)	(262)
	<u>(502)</u>	<u>(502)</u>	<u>(555)</u>	<u>(555)</u>
<b>Unrecognised (losses) / gains</b>				<u>-</u>

#### (b) Credit risk

##### Financial risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. This risk is mitigated as balances are spread across multiple parties.

The Company's principal financial assets are bank balances and trade receivables which represent the Company's maximum exposure to credit risk in relation to financial assets the Company bears the bad debt risk on all debtors. The Company's management make assessments on new customers before

work is earned out, based on their knowledge of the industry and the customer's acceptance of imposed credit terms.

The amounts presented in the Statement of financial position are net of allowances for doubtful receivables after taking into consideration the amount of balances covered by the Company's credit insurance policy. These have been estimated by the Company's management based on prior experience and their assessment of the current economic environment.

##### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the Statement of financial position date was £5,000 (2016: £7,000), being the total of the carrying amount of trade receivables, shown in the table above.

##### Financial assets and impairment losses

The ageing of trade and other receivables at the Statement of financial position date was:

	2017			2016		
	Gross trade receivables £'000	Doubtful debt provision £'000	Net trade receivables £'000	Gross trade receivables £'000	Doubtful debt provision £'000	Net trade receivables £'000
Not past due	<u>224</u>	<u>-</u>	<u>224</u>	<u>166</u>	<u>-</u>	<u>166</u>



# Ram Records Limited

## Notes to the financial statements Year ended 31 December 2017

### 12. Financial instruments (continued)

#### (c) Liquidity risk

##### *Financial risk management*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Liquidity is managed by group via the cash pooling facility.

#### (d) Market risk

##### *Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments.

##### *Market risk - Foreign currency risk*

The Company is not exposed to any foreign current risk.

##### *Sensitivity analysis — Foreign currency risk*

The Company did not issue many foreign currency invoices during the year and so exposure to foreign currency risk is minimal.

##### *Market risk – interest rate risk*

The Company utilises a group cash pooling facility, on which interest is charged at variable rates, based on the Bank of England base rate plus a margin of 1.25%. The Company's exposure to interest rate risk arises from the fluctuations in the rate of interest charged on cash and cash equivalent balances payable as impacted on by the changes in the Bank of England base rate.

##### *Sensitivity analysis – interest rate risk*

A change of one percent in interest rates at the Statement of financial position date would have increased the loss by the amounts shown below. This calculation assumes that the change occurred at the Statement of financial position date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remains constant and considers the effect of financial instruments with variable interest rates.

At the year end it is estimated that an increase of one percentage rise in the 3 month LIBOR market rate would increase the Company's loss before taxation by approximately £4,000 (2016: £6,000).

#### (e) Capital risk management

The Company manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

### 13. Related parties

#### **Identity of related parties**

The Company's ultimate parent company and group is the international media company Bertelsmann SE & Co. KGaA. The Company had a related party relationship in the year with subsidiaries of Bertelsmann SE & Co. KGaA, and with its directors and executive officers.

The Company had a related party with Ram Music Publishing Limited in which Scott Bourne and Andrew Clarke were directors and shareholders.

#### **Related party transactions**

During the year the Company entered into the following transactions with related parties. The transactions were priced on an arm's length basis.

## Ram Records Limited

### Notes to the financial statements Year ended 31 December 2017

#### 13. Related parties (continued)

	Sales / (purchases) of goods		Trade balances receivable / (payable)	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
BMG Rights Management (UK) Limited	(74)	(223)	(359)	(529)
BMG Rights Management (US) LLC	2	2	-	3
Bertelsmann SE & Co. KGaA - Corporate Centre	(4)	-	-	-
Infectious Music Limited	-	-	-	(4)
	<u>(76)</u>	<u>(221)</u>	<u>(359)</u>	<u>(530)</u>

#### 14. Ultimate parent company and controlling party

The immediate parent company is BMG Rights Management (UK) Limited, a company incorporated in the United Kingdom. The ultimate parent is Bertelsmann SE & Co. KGaA.

The results of the Company are included in the consolidated financial statements of Bertelsmann SE & Co. KGaA which is registered at Carl-Bertelsmann-Strasse 270, 33311 Gütersloh, Germany. These consolidated financial statements are publicly available.

No other group financial statements include the results of the Company.