

**Arvato Mobile UK Limited**  
**Directors' report and financial**  
**statements**  
Registered number 05338629  
31 December 2007



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## Directors' report

The directors present the directors' report and financial statements for the year ended 31 December 2007.

### Principal activity

The principal activities of the company are to provide mobile phone data content such as ring tones to mobile operators and the development of technology to enable TV interactivity with the mobile telephone.

On the 1 January 2007 the company acquired the trade, assets and liabilities of Movota Limited, a fellow subsidiary of Bertelsmann UK Limited. The transaction was carried out at fair value (*see note 17*).

### Financial risks

The directors monitor the financial risks to the Company on an ongoing basis. During the year the credit and foreign exchange rate risks were minimal. Hence, the directors did not feel that it was appropriate to mitigate these risks by purchasing any financial instruments.

### Results and dividends

The company has made a loss for the year of £1,030,458 (2006: profit of £120,562).

The directors do not recommend the payment of a dividend. (2006: £nil)

### Directors and directors' interests

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

R Grant (resigned 19 January 2007)  
C Hartlieb (resigned 31 March 2007)  
B Ribbrock (resigned 10 August 2007)  
P Aitken (appointed 19 January 2007, resigned 10 August 2007)  
R Primer (appointed 10 August 2007)  
P Roatta (appointed 10 August 2007)


### 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 aware, there is no relevant audit information of which the Company's auditors are unaware; and they have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

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

On behalf of the board

  
R Primer  
Director

One Fleet Place  
London  
EC4M 7WS

11<sup>th</sup> FEBRUARY 2009

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

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).

The financial statements are required by law to 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 director is 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 proper accounting records that 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 1985. 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.



**KPMG LLP**

8 Sailsbury Square

London

EC4Y 8BB

United Kingdom

**Independent auditors' report to the members of Arvato Mobile UK Limited**

We have audited the financial statements of Arvato Mobile UK Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

**Independent auditors' report to the members of Arvato Mobile UK Limited**  
*(continued)*

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

17 FEB 2009

**Profit and loss account**  
*for the year ended 31 December 2007*

	<i>Note</i>	<b>Continuing operations</b> £	<b>Acquisitions</b> £	<b>2007</b> £	<b>2006</b> £
Turnover	2	914,612	100,000	1,014,612	768,062
Cost of sales		(718,715)	(170,705)	(889,420)	(429,904)
<b>Gross profit</b>		<b>195,897</b>	<b>(70,705)</b>	<b>125,192</b>	<b>338,158</b>
Administrative expenses		(591,507)	(707,913)	(1,299,420)	(169,670)
<b>Operating (loss)/profit</b>	3	<b>(395,610)</b>	<b>(778,618)</b>	<b>(1,174,228)</b>	<b>168,488</b>
Interest receivable and similar income	6			-	4,126
Interest payable and charges	7			(63,678)	-
<b>(Loss)/profit on ordinary activities before taxation</b>				<b>(1,237,906)</b>	<b>172,614</b>
Tax on (loss)/profit on ordinary activities	8			207,448	(52,052)
<b>(Loss)/profit for the financial year</b>	14,15			<b>(1,030,458)</b>	<b>120,562</b>


A statement of total recognised gains and losses has not been included as part of these statements as the company made no gains or losses in the year other than those disclosed above.

A note on historical cost gains and losses has not been included as part of the financial statements as the results disclosed in the profit and loss account are prepared on an unmodified basis.

**Balance sheet**  
*at 31 December 2007*

	Note	2007	2006
		£	£
<b>Fixed Assets</b>			
Tangible assets	9	14,799	959
Intangible Assets	10	-	-
		<u>14,799</u>	<u>959</u>
<b>Current assets</b>			
Debtors	11	787,425	483,698
Cash at bank and in hand		38	-
		<u>787,463</u>	<u>483,698</u>
<b>Creditors: amounts falling due within one year</b>	12	(1,724,365)	(376,302)
<b>Net current (liabilities)/assets</b>		<u>(936,902)</u>	<u>107,396</u>
<b>Net (liabilities)/assets</b>		<u>(922,103)</u>	<u>108,355</u>
<b>Capital and reserves</b>			
Called up share capital	13	1	1
Profit and loss account	14	(922,104)	108,354
<b>Shareholders' (deficit)/funds</b>	15	<u>(922,103)</u>	<u>108,355</u>

These financial statements were approved by the board of directors on 11<sup>th</sup> FEBRUARY 2009 and were signed on its behalf by:

  
**R Priemer**  
Director



## 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 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 "Cash Flow Statements", the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 100% of the company's voting rights were controlled within the group headed by Bertelsmann AG, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Bertelsmann AG, within which the balance sheet of this company is included, can be obtained from Carl Bertelsmann Strasse 270, 33311 Gütersloh, Germany.

#### *Going concern*

The financial statements have been prepared on the going concern basis notwithstanding net current liabilities of £936,902 and net liabilities of £922,103, which the directors believe to be appropriate for the following reason. Since the year end the company has been reliant for its working capital on funds provided to it by its parent Arvato Mobile GmbH, which has provided the company with an undertaking that it will, for at least 12 months from the date of approval of these financial statements, continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently due. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or 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*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	4 years
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#### *Intangible fixed assets and amortisation*

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably. Intangible assets are amortised to nil by equal annual instalments over their useful economic live of between 3 and 5 years.

## Notes (continued)

### 1 Accounting policies (continued)

#### Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### Turnover

Turnover is generated from the delivery of data content such as ring tones to the mobile service operator.

Turnover, which is stated net of value added tax, represents amounts invoiced to customers. The turnover is attributable to the principal activity of the company.

### 2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

### 3 Notes to the profit and loss account

	2007 £	2006 £
<i>(Loss)/profit on ordinary activities before taxation is stated after charging:</i>		
Rentals payable under operating leases	48,675	6,000
Depreciation and other amounts written off tangible fixed assets	7,060	380
Amortisation and other amounts written off intangible fixed assets	366,598	-
Redundancy costs	45,000	-
	<hr/>	<hr/>
<i>Auditors' remuneration:</i>		
	2007 £	2006 £
Audit of these financial statements	16,000	8,925
	<hr/>	<hr/>

No amounts were received by the Company's auditor in respect of other services to the Company (2006: £nil).

### 4 Directors' emoluments

The directors received remuneration for their services to the company during the year of £85,090 (2006: £nil).

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the Company (excluding directors) during the year, analysed by category, was as follows:

	Number of employees	
	2007	2006
Management	2	2
Sales	4	-
Development	4	-
Administration	1	-
	<u>11</u>	<u>2</u>

The aggregate payroll costs of these persons were as follows:

	2007	2006
	£	£
Wages and salaries	517,882	112,010
Social security costs	58,882	13,031
	<u>576,764</u>	<u>125,041</u>

### 6 Interest receivable and similar income

	2007	2006
	£	£
Bank interest	-	4,126
	<u>-</u>	<u>4,126</u>

### 7 Interest payable and similar charges

	2007	2006
	£	£
On intercompany loan	62,711	-
Exchange differences	967	-
	<u>63,678</u>	<u>-</u>

## Notes (continued)

### 8 Taxation

	2007 £	2006 £
Current tax on income for the year	(193,826)	52,052
Adjustments in respect of prior period	(13,622)	-
	<hr/>	<hr/>
Tax on (loss)/profit on ordinary activities	(207,448)	52,052
	<hr/>	<hr/>
	2007 £	2006 £
<b>Current tax reconciliation</b>		
(Loss)/profit on ordinary activities before tax	(1,237,906)	172,614
	<hr/>	<hr/>
Current tax at 30% (2006: 30%)	(371,372)	51,784
<i>Effects of:</i>		
Expenses not deductible for tax purposes	78,712	268
Accelerated allowances for intangibles	98,208	-
Difference between depreciation for the period and capital allowances	626	-
Adjustment in respect of prior period	(13,622)	-
	<hr/>	<hr/>
Total current tax (credit)/charge (see above)	(207,448)	52,052
	<hr/>	<hr/>

A deferred tax asset of £114,475 (2006: nil) has not be recognised as future recovery is uncertain.

### 9 Tangible fixed assets

	Office Equipment	Total
<b>Cost</b>		
At beginning of year	1,339	1,339
Acquisitions (see Note 17)	16,346	16,346
Additions	4,554	4,554
	<hr/>	<hr/>
At end of year	22,239	22,239
	<hr/>	<hr/>
<b>Depreciation</b>		
At beginning of year	380	380
Charge for year	7,060	7,060
	<hr/>	<hr/>
At end of year	7,440	7,440
	<hr/>	<hr/>
<b>Net book value</b>		
At 31 December 2007	14,799	14,799
	<hr/>	<hr/>
At 31 December 2006	959	959
	<hr/>	<hr/>

## Notes (continued)

### 10 Intangible fixed assets

	Total
<b>Cost</b>	
At beginning of year	-
Acquisitions ( <i>see note 17</i> )	329,266
Additions	37,332
	<hr/>
At end of year	366,598
	<hr/>
<b>Amortisation</b>	
At beginning of year	-
Charge for year	134,238
Impairment	232,360
	<hr/>
At end of year	366,598
	<hr/>
<b>Net book value</b>	
At 31 December 2007	-
	<hr/>
At 31 December 2006	-
	<hr/>

### 11 Debtors

	2007 £	2006 £
Trade debtors	136,821	101,607
Amounts owed from group companies	-	243,973
Other debtors	3,775	-
Corporation tax debtor	193,826	-
Prepayments and accrued income	453,003	138,118
	<hr/>	<hr/>
	787,425	483,698
	<hr/>	<hr/>

### 12 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank overdraft	1,360	1,181
Trade creditors	22,436	2,484
Amounts owed to group companies	1,502,669	194,269
Taxation and social security	36,955	39,006
Corporation tax creditor	-	52,052
Accruals	160,945	87,310
	<hr/>	<hr/>
	1,724,365	376,302
	<hr/>	<hr/>

## Notes (continued)

### 13 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>
<i>Allotted, called up and fully paid</i>		
1 ordinary shares of £1 each	1	1
	<u>          </u>	<u>          </u>

### 14 Reserves

	Profit and loss account £
At the beginning of the year	108,354
Loss for the year	(1,030,458)
	<u>          </u>
At end of the year	(922,104)
	<u>          </u>

### 15 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
(Loss)/profit for the financial year	(1,030,458)	120,562
	<u>          </u>	<u>          </u>
Net (reduction in)/addition to shareholders' fund	(1,030,458)	120,562
Opening shareholders' fund	108,355	(12,207)
	<u>          </u>	<u>          </u>
Closing shareholders' deficit	(922,103)	108,355
	<u>          </u>	<u>          </u>

### 16 Capital commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2007 £	2006 £
<i>Operating leases which expire:</i>		
Within one year	4,625	17,080
	<u>          </u>	<u>          </u>

## Notes (continued)

### 17 Acquisitions

On the 1 January 2007, the assets and liabilities of Movota Limited a related party were transferred to Arvato Mobile UK Limited at fair value.

	<b>Book and Fair Value £</b>
<b>Net assets acquired</b>	
Tangible fixed assets	16,346
Intangible assets	329,264
Debtors	343,845
Creditors	(99,806)
	<hr/> 589,649 <hr/>
<b>Satisfied by:</b>	
Cash	580,649 <hr/>
<b>Goodwill arising on transfer</b>	<hr/> - <hr/>

### 18 Ultimate parent company and controlling party

The ultimate parent company and ultimate controlling party is Bertelsmann AG, incorporated in Germany. The immediate parent company is Arvato Mobile GmbH, a company incorporated in Germany.

The largest group in which the results of the company are consolidated is that headed by Bertelsmann AG. The consolidated financial statements of this company are available from Carl Bertelsmann Strasse 270, 33311 Gütersloh, Germany.