

00698804

Dick James Music Limited

Report and Accounts

31 December 1995

 ERNST & YOUNG



Dick James Music Limited

Registered No. 698804

DIRECTORS

D P Hockman
J J King

SECRETARY

M Howle

AUDITORS

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

REGISTERED OFFICE

8 St James's Square
London SW1Y 4JU

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1995.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £2,939,000 (1994 – £1,557,000). The directors paid an interim dividend of £675,000 and recommend a final ordinary dividend of £2,325,000 which leaves a deficit of £61,000 to be transferred to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be music publishing.

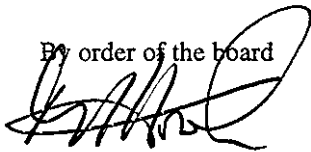
The directors aim to maintain the management policies which have resulted in the company's growth and success in recent years. The company is in a good position to take advantage of any opportunities which may arise in the future.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are as shown on page 1.

None of the directors had an interest in any of the shares of the company or its subsidiaries during the year.

By order of the board



Secretary

30 OCT 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They 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.

REPORT OF THE AUDITORS
to the members of Dick James Music Limited

We have audited the accounts on pages 5 to 12, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

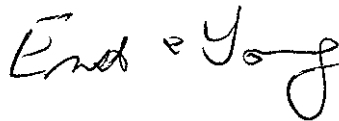
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

30/10/96

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1995

	<i>Notes</i>	<i>1995</i> <i>£000</i>	<i>1994</i> <i>£000</i>
TURNOVER	2	3,304	2,583
Cost of sales		(670)	(585)
Gross profit		2,634	1,998
Administration expenses		(741)	(691)
		1,893	1,307
Other operating income		5	—
Income from investments	3	1,430	625
OPERATING PROFIT	4	3,328	1,932
Interest receivable	5	87	79
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,415	2,011
Tax on profit on ordinary activities	6	(476)	(454)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,939	1,557
Dividends	7	(3,000)	(1,650)
RETAINED LOSS FOR THE YEAR		(61)	(93)
Retained profit brought forward		65	158
RETAINED PROFIT CARRIED FORWARD		4	65

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

A statement of total recognised gains and losses has not been provided since there are no recognised gains or losses other than the profit for the year.

Dick James Music Limited .

BALANCE SHEET at 31 December 1995

	Notes	1995 £000	1994 £000
FIXED ASSETS			
Investments	8	1,405	2,103
CURRENT ASSETS			
Debtors	9	4,577	2,442
CREDITORS: amounts falling due within one year	10	(5,978)	(4,480)
NET CURRENT LIABILITIES		(1,401)	(2,038)
TOTAL ASSETS LESS CURRENT LIABILITIES		4	65
CAPITAL AND RESERVES			
Called up share capital	11	—	—
Profit and loss account	12	4	65
		4	65



Director

30 OCT 1996

NOTES TO THE ACCOUNTS
at 31 December 1995

1. ACCOUNTING POLICIES

Accounting convention

These accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the middle market rate of exchange ruling at the balance sheet date whilst transactions in foreign currencies are recorded at the rate ruling at the date of the transactions. All differences are taken to the profit and loss account.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

Advance royalties received

Advance royalties received are included in the profit and loss account in the period in which they are received.

Advance royalties paid

Advance payments to writers are written off to the profit and loss account in the period in which they are made.

Non-consolidation

Consolidated accounts have not been prepared as Dick James Music Limited is a wholly owned subsidiary of PolyGram N.V., a company incorporated in the European Community, and is therefore exempt under section 228 of the Companies Act 1985 from the obligation to prepare and deliver group accounts.

Investments

Investments in subsidiary undertakings are stated at cost less amortisation where appropriate, to arrive at a net value equating to estimated recoverable amounts.

Investments in music catalogue are stated at cost less provisions to write down the value of the investments over their expected useful lives.

2. TURNOVER

Turnover is derived from one continuing activity, music publishing. Turnover represents royalties received, and the invoiced value of goods and services excluding Value Added Tax.

The geographical areas to which turnover relates are as follows:

	1995 £000	1994 £000
United Kingdom	857	661
Europe	849	1,012
United States of America	1,240	654
Other	358	256
	<u>3,304</u>	<u>2,583</u>

NOTES TO THE ACCOUNTS
at 31 December 1995

3. INCOME FROM INVESTMENTS

	<i>1995</i> <i>£000</i>	<i>1994</i> <i>£000</i>
Income from shares in group undertakings	1,350	625
Income from interests in associated undertakings	80	—
	<u>1,430</u>	<u>625</u>

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	<i>1995</i> <i>£000</i>	<i>1994</i> <i>£000</i>
Auditors' remuneration	—	—
Directors' remuneration	—	—
Amortisation of music publishing catalogue	698	677
	<u>—</u>	<u>—</u>

Certain administrative expenses are borne by other UK undertakings in the group.

5. INTEREST RECEIVABLE

	<i>1995</i> <i>£000</i>	<i>1994</i> <i>£000</i>
Group undertakings	87	79
	<u>—</u>	<u>—</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Corporation tax has been provided at 33% for the year to 31 December 1995 (1994 – 33%).

	<i>1995</i> <i>£000</i>	<i>1994</i> <i>£000</i>
Current year:		
Corporation tax	(655)	—
Group relief	—	(454)
ACT on dividend income	(16)	—
	<u>(671)</u>	<u>(454)</u>
Prior years:		
Corporation tax	96	(71)
Group relief	99	71
	<u>(476)</u>	<u>(454)</u>

Income from shares in subsidiary undertakings of £1,350,000 (1994 – £625,000) is not subject to Corporation Tax in the company.

NOTES TO THE ACCOUNTS

at 31 December 1995

7. DIVIDENDS

	1995 £000	1994 £000
Ordinary – interim paid	675	500
– final proposed	2,325	1,150
	<u>3,000</u>	<u>1,650</u>

8. INVESTMENTS

	<i>Subsidiary undertakings</i> £000	<i>Investment in music catalogue</i> £000	<i>Total</i> £000
Cost:			
At 1 January 1995	96	4,740	4,836
Additions	–	–	–
At 31 December 1995	<u>96</u>	<u>4,740</u>	<u>4,836</u>
Amounts written off:			
At 1 January 1995	88	2,645	2,733
Written off during the year	–	698	698
At 31 December 1995	<u>88</u>	<u>3,343</u>	<u>3,431</u>
Net book value:			
At 31 December 1995	<u>8</u>	<u>1,397</u>	<u>1,405</u>
At 1 January 1995	<u>8</u>	<u>2,095</u>	<u>2,103</u>

Subsidiary undertakings:

<i>Name</i>	<i>Country of incorporation</i>	<i>Nature of of business</i>
Dick James Music Inc.	USA	Music publishing and record production
Theobalds Music Inc.	USA	Music publishing
DJM Records Limited	United Kingdom	Record production and distribution
Gwyneth Music Limited	United Kingdom	Music publishing
Maribus Music Limited	United Kingdom	Music publishing
Amused Productions Limited	United Kingdom	Music publishing
This Record Company Limited	United Kingdom	Record production

The investment in the above companies is in 100% of the ordinary share capital. All holdings are held directly with the exception of DJM Records Limited and Theobalds Music Inc. which are held indirectly through subsidiary undertakings.

NOTES TO THE ACCOUNTS
at 31 December 1995

8. INVESTMENTS (continued)

The directors have considered the carrying value of investments and are of the opinion that the aggregate value of the company's investments in subsidiary undertakings, including amounts owed by subsidiary undertakings, is not less than the amount at which they are stated in the accounts.

Associated undertakings:

<i>Name</i>	<i>Proportion held</i>
Alto Music Limited	50%
Debonaire Music Limited	40%
Dominic Music Limited	50%
Gralto Music Limited	50%
Pageant Music Limited	50%
Tiger Music Limited	50%
Spencer Davis Music Limited	25%

The net book value of investments in associated undertakings is £nil (1994 – £nil).

The aggregate value of investments in associated undertakings on an equity basis is £40,827. (1994 – £87,992).

All the above companies are incorporated in England, and are involved in music publishing. All holdings are directly held with the exception of Spencer Davis Music Limited which is held through Gralto Music Limited. The holding in each company is in ordinary share capital.

9. DEBTORS

	<i>1995</i>	<i>1994</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by group undertakings	3,211	1,817
Dividend receivable	1,350	625
Other debtors	11	-
Prepayments	5	-
	<u>4,577</u>	<u>2,442</u>

In accordance with industry practice advances to artists include certain amounts recoverable after one year.

NOTES TO THE ACCOUNTS
at 31 December 1995

10. **CREDITORS:** amounts falling due within one year

	1995 £000	1994 £000
Trade creditors	707	615
Bank loans and overdrafts	4	2
Amounts owed to group undertakings	2,130	2,170
Amounts owed to associated undertakings	71	37
Social security and other taxes	18	5
Accruals and deferred income	84	42
Dividends payable	2,325	1,150
Corporation tax payable	639	459
	<u>5,978</u>	<u>4,480</u>

11. **SHARE CAPITAL**

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	1995	1994	1995	1994
	£	£	£	£
1,000 Ordinary shares of £1 each	1,000	1,000	108	108

12. **RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES**

	<i>Share capital</i> £000	<i>Profit and loss account</i> £000	<i>Total</i> £000
At 1 January 1994	—	158	158
Profit for the year	—	1,557	1,557
Dividend	—	(1,650)	(1,650)
At 1 January 1995	—	65	65
Profit for the year	—	2,939	2,939
Dividend	—	(3,000)	(3,000)
At 31 December 1995	—	4	4

13. **FINANCIAL SUPPORT**

The company has received confirmation from its UK parent undertaking, that it will continue to provide financial support for the foreseeable future, and assume any tax liabilities arising from transactions emanating from its acquisition of the DJM Group.

NOTES TO THE ACCOUNTS

at 31 December 1995

14. CONTINGENT LIABILITIES

At the balance sheet date the company, together with its subsidiaries, was a party to a collective net bank facility of up to £2.5 million, covering overdrafts and foreign bills for negotiation. Under the terms of the facility, the company's bank balance is subject to set-off by the company's bankers against sums owed by other companies in the group.

As a result of a previous catalogue acquisition, the company has a potential payment to make in March 1998 which is dependent on the level of royalties earned up to 31 December 1997.

Since the payment is reliant on future events, the amount cannot be estimated with any certainty and therefore no provision has been made in the accounts. Based on earnings to date the possible payment may be up to £500,000.

15. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Philips Electronics N.V., incorporated in The Netherlands, and the parent undertaking of the smallest such group is PolyGram N.V., incorporated in The Netherlands. Copies of Philips Electronics N.V.'s accounts can be obtained from:

Philips Electronics N.V.
Corporate Finance Securities
Groenewoudseweg 1
5621 BA EINDHOVEN
The Netherlands

and copies of PolyGram N.V.'s accounts can be obtained from:

PolyGram N.V.
Gerrit van der Veenlaan 4
3743 DN BAARN
The Netherlands