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## **DJM Records Limited**

### **Directors' report and financial statements**

31 December 1997  
Registered number 947866



## **Director's report and financial statements**

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## **Director's report**

The director presents his annual report and the audited financial statements for the year ended 31 December 1997.

### **Results and dividends**

The profit after taxation amounted to £10,872 (*1996: £21,499*) for the year, this amount is transferred to the accumulated deficit. The director does not recommend the payment of a dividend (*1996: £nil*).

### **Principal activity and review of the business**

The company has ceased to trade, although post-cessation receipts continue. This situation is expected to continue in the coming year.

### **Directors and their interests**

The directors who served during the year ended 31 December 1997 were as follows:

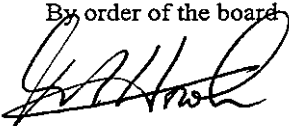
JJ King	(resigned 31 July 1997)
S Cuttell	(appointed 1 August 1997)

The directors had no interest in any of the shares of the company or its fellow subsidiaries during the year.

### **Auditors**

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

By order of the board



**MA Howle**  
*Secretary*

8 St James's Square  
London  
SW1Y 4JU

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.



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London  
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## **Auditors' report to the members of DJM Records Limited**

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

### *Respective responsibilities of directors and auditors*

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*

Chartered Accountants  
Registered Auditors

*23 October* 1998

## **Profit and loss account**

*for the year ended 31 December 1997*

	<i>Note</i>	1997 £	1996 £
Turnover	2	16,402	31,499
Direct costs		-	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		16,402	31,499
Tax on profit on ordinary activities	5	(5,530)	(10,000)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		10,872	21,499
		<hr/>	<hr/>
Retained profit for the financial year		10,872	21,499
		<hr/> <hr/>	<hr/> <hr/>

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 current and the previous year.

No note on historical cost profits and losses has been included as part of these financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical basis.

## Balance sheet

at 31 December 1997

	<i>Note</i>	1997 £	1996 £
<b>Current assets</b>			
Debtors	6	16,402	31,500
<b>Creditors: amounts falling due within one year</b>	7	(179,192)	(205,162)
<b>Net current liabilities</b>		(162,790)	(173,662)
<b>Net liabilities</b>		(162,790)	(173,662)
<b>Capital and reserves</b>			
Called up share capital	8	100	100
Profit and loss account	9	(162,890)	(173,762)
<b>Equity shareholders' deficit</b>		(162,790)	(173,662)

These financial statements were approved by the board of directors on 19 October 1998 and were signed on its behalf by:



**S Cuttall**  
*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 company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The financial statements have been prepared on a going concern basis as the company has received confirmation from PolyGram (UK) Holdings Limited, its highest UK parent undertaking, that it will continue to provide financial and other support to the extent necessary to enable the company to continue to trade and pay its liabilities as and when they become due for a period not less than one year from the date of approval of these financial statements.

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a subsidiary undertaking where 90% or more of the voting rights are controlled within the PolyGram N.V. group and the consolidated financial statements of PolyGram N.V., in which the company is included, are publicly available.

As more than 90% of the company's voting rights are controlled within the group headed by PolyGram N.V., the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of PolyGram N.V., within which this company is included, can be obtained from the address given in note 10.

### 2 Turnover

Turnover represents net income from public performance of recordings excluding value added tax. All turnover is derived from the United Kingdom.

### 3 Operating profit

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



**Notes (continued)**

**4 Remuneration of directors and employees**

The directors of the company received no remuneration for their services during the year. The company has no employees.

**5 Tax on profit on ordinary activities**

Corporation tax has been provided at 31.5% for the year to 31 December 1997 (1996:33%).

	1997 £	1996 £
<i>Current year</i>		
Corporation tax	(5,167)	(10,000)
<i>Prior year</i>		
Group relief	(363)	-
	<u>(5,530)</u>	<u>(10,000)</u>

**6 Debtors**

	1997 £	1996 £
Amounts owed by group undertakings	<u>16,402</u>	<u>31,500</u>

**Notes (continued)**

**7 Creditors: amounts falling due within one year**

	1997 £	1996 £
Corporation tax	-	10,400
Amounts owed to group undertakings	179,192	194,762
	<u>179,192</u>	<u>205,162</u>

**8 Share capital**

	1997 £	1996 £
<i>Authorised, allotted, called up and fully paid:</i>		
100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

**9 Reconciliation of shareholders' deficit and movements on reserves**

	Share capital £	Profit and loss account £	Total £
At 1 January 1996	100	(195,261)	(195,161)
Profit for the year	-	21,499	21,499
	<u>100</u>	<u>(173,762)</u>	<u>(173,662)</u>
At 1 January 1997	100	(173,762)	(173,662)
Profit for the year	-	10,872	10,872
	<u>100</u>	<u>(162,890)</u>	<u>(162,790)</u>

**Notes (continued)**

**10 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Philips Electronics N.V. incorporated in The Netherlands.

The largest group in which the results of the company are consolidated is that headed by Philips Electronics N.V. incorporated in The Netherlands. The smallest group in which they are consolidated is that headed by PolyGram N.V. incorporated in The Netherlands. The consolidated accounts of these groups are available to the public and may be obtained from:

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

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

**11 Post balance sheet event**

On 23 June 1998, Philips Electronics N.V. agreed to sell its 75% holding in PolyGram N.V. to The Seagram Co Ltd, a company incorporated in Canada.

Completion of this transaction is subject to US, European and Dutch regulatory approval and a successful tender by The Seagram Co Ltd for the 25% of PolyGram N.V.'s shares that are held publicly. Regulatory clearance is expected to take up to six months and if obtained would result in The Seagram Co Ltd becoming the company's ultimate parent.