Dedicated Limited

Director's report and financial statements

Registered number 2426030

Eighteen months ended 31 December 2002

Contents

Director's report

The director presents his annual report and the audited financial statements for the period ended 31 December 2002.

Principal activities and business review

The principal activity of the company is the production and promotion of recordings by international recording artists.

Results and dividends

The director does not recommend the payment of a dividend *(30 June 2001: £nil).* The retained profit for the period of £2,040,306 *(30 June 2001: loss £24,735)* has been transferred to reserves.

Business review

The results for the eighteen month period are detailed on page 4.

Directors and director's interests

The director who held office during the period and subsequently was as follows:

D Kooker

No director who held office at the end of the financial period had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

Auditors

During the period, KPMG resigned and KPMG LLP was appointed to fill a casual vacancy. KPMG LLP will then be re-appointed at the forthcoming Annual General Meeting

By order of the board

EJP Wareham
Secretary

Bedford House
69-79 Fulham High Street
London
SW6 3JW

19th June 2003

Statement of director's responsibilities

Company law requires the director 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 director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors, KPMG LLP, to the members of Dedicated Limited

We have audited the financial statements on pages 4 to 10.

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 director and auditors

The director is responsible for preparing the director's report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit 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 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors

20 JUNE *2003*

Profit and loss account

For the period ended 31 December 2002

	Note	Eighteen month period to 31 December 2002		Year to 30 June 2001	
			£		£
Turnover	*1,2*		**103,085**		115,826
Cost of sales			**(72,031)**		(47,983)
Gross profit			**31,054**		67,843
Administrative expenses -intercompany write off		**1,850,425**		-	
- other		**(41,211)**		(21,622)	
			1,809,214		(21,622)
Operating profit			**1,840,268**		46,221
Interest payable and similar charges	6		**(91,344)**		(78,362)
Profit/(loss) on ordinary activities before taxation	*3,5*		**1,748,924**		(32,141)
Tax on profit/(loss) on ordinary activities	*7*		**291,382**		7,406
Profit/(loss) for the period	*13*		**2,040,306**		(24,735)
Retained loss brought forward	*12*		**(8,578,012)**		(8,553,277)
Retained loss carried forward	*14*		**(6,537,706)**		(8,578,012)

Turnover and loss on ordinary activities before taxation for the period relate exclusively to continuing operations.

The company has no recognised gains or losses other than the loss for the period and therefore no separate statement of total recognised gains and losses has been presented.

The loss on a historical cost basis is the same as the reported loss.

The notes on pages 6 to 10 form part of these financial statements.

Balance sheet

at 31 December 2002

	Note	**31 December 2002**	30 June 2001
		£	£
Current assets			
Stocks	*8*	**2,576**	2,549
Debtors	*9*	**944,355**	658,163
		946,931	660,712
Creditors: amounts falling due within one year	*10*	**(1,484,537)**	(3,238,624)
Net liabilities		**(537,606)**	(2,577,912)
Capital and reserves			
Called up share capital	*11*	**6,000,100**	6,000,100
Profit and loss account	*14*	**(6,537,706)**	(8,578,012)
Shareholders' deficit	*13*	**(537,606)**	(2,577,912)
Shareholders' (deficit):			
Equity		**(6,537,706)**	(8,577,912)
Non-equity		**6,000,000**	6,000,000
		(537,606)	(2,577,912)

These financial statements were approved by the board of directors on 19th June 2003 and were signed on its behalf by:

D Kooker
Director

The notes on pages 6 to 10 form part of these financial statements.

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 except as noted below. The company has adopted FRS 19 'Deferred Tax' in these financial statements. There has been no material impact of the adoption of FRS 19 'Deferred Tax' on either the current or prior year.

Basis of preparation

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

The company is exempt from the requirement of Financial Reporting Standard 1 (Revised), Cash Flow Statement, being a wholly owned subsidiary of Bertelsmann AG, a company incorporated in Germany and which prepares consolidated financial statements in English containing a consolidated cash flow statement dealing with the cash flows of the company.

Going Concern

Bertelsmann UK Limited has informed the company that it is their intention to provide such financial support as is required by the company to meet it's liabilities as they fall due for payment. In view of this confirmed support, the director has prepared these financial statements on a going concern basis.

Turnover

Turnover represents sales to customers, at invoiced amounts less value added tax, and royalty income.

Taxation

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.

Bertelsmann AG UK entities are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. There is an agreement between members of the group that such losses will be purchased and paid for by the recipient company. Where there is reasonable certainty that taxable losses can be utilised the group relief receivable is included in the taxation charge or credit for the year.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using 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.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents production costs charged by manufacturers.

Notes *(continued)*

2 Turnover

Turnover is generated from the production and promotion of recordings by international recording artists.

Geographical analysis of turnover

	Eighteen month period to 31 December 2002	Year to 30 June 2001
	£	£
United Kingdom	**103,085**	115,826

3 Profit on ordinary activities before taxation

Auditor's remuneration was borne by the immediate parent undertaking, BMG UK & Ireland Limited.

4 Remuneration of director.

The director did not receive any remuneration relating to the eighteen month period *(2001: £nil)*.

5 Staff numbers and costs

There were no employees (other than the director) or staff costs in the current period or prior year.

6 Interest payable and similar charges

	Eighteen month period to 31 December 2002	Year to 30 June 2001
	£	£
On bank loans	**91,344**	78,362

Notes *(continued)*

7 Tax on loss on ordinary activities

	Eighteen month period to 31 December 2002	Year to 30 June 2001
	£	£
UK corporation tax at 30% *(2001: 30%)*	**30,562**	-
Adjustment to prior year provision	**260,820**	7,406
	291,382	7,406

The adjustment is due to the creditors for group relief payments in the prior year being released. There is no tax charge in the current year due to losses.

Factors affecting the tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Eighteen month period to 31 December 2002	Year to 30 June 2001
	£	£
Profit/(loss) on ordinary activities before tax	**1,748,924**	(32,141)
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%(2001:30%)	**524,677**	(9,642)
Effects of:		
Other	**(111)**	-
Non-taxable income	**(555,128)**	2,236
Adjustments to tax charge in respect of previous periods	**(260,820)**	-
Current tax charge for period	**(291,382)**	(7,406)

8 Stock

	31 December 2002	30 June 2001
	£	£
Finished goods and goods for resale	**2,576**	2,549

Notes *(continued)*

9 Debtors

	31 December 2002	30 June 2001
	£	£
Amounts owed by group undertakings	**912,934**	654,532
Trade debtors	**-**	3509
Other debtors	**859**	122
Other taxation and social security	**30,562**	-
	944,355	658,163

Creditors: amounts falling due in one year at 30 June 2001 has been reclassified. £654,532 has now been included in amounts owed by group undertakings which was previously included in amounts owed to group undertakings

10 Creditors: amounts falling due within one year

	31 December 2002	30 June 2001
	£	£
Trade creditors	**5,700**	985
Royalties and Licences	**3,369**	-
Amounts owed to group undertakings	**1,471,677**	3,230,814
Other creditors (incl. taxation and social security)	**3,791**	6,825
	1,484,537	3,238,624

11 Called up share capital

	31 December 2002	30 June 2001
	£	£
Authorised		
Equity: 100 ordinary shares of £1 each	**100**	100
Non-equity: 6,000,000 preference shares of £1 each	**6,000,000**	6,000,000
	6,000,100	6,000,100
Allotted, called up and fully paid		
Equity: 100 ordinary shares of £1 each	**100**	100
Non-equity: 6,000,000 preference shares of £1 each	***6,000,000***	*6,000,000*
	6,000,100	6,000,100

The preference shares are redeemable in lots of 500 once the company makes a profit available for distribution. On a winding up, they would have a priority over the ordinary shares. The shares do not carry any voting rights or rights to a dividend.

Notes *(continued)*

12 Deferred Taxation

A deferred tax asset arises which is not recognised in the accounts. These assets can only be deducted against future suitable taxable profits. There is currently insufficient evidence that suitable taxable profits will be generated to offset the future reversal of these timing differences and therefore no asset has been recognised.

13 Reconciliation of movement in shareholders' deficit

	Profit and Loss Account 2002
	£
Profit for the period	2,040,306
Opening shareholders' deficit	(2,577,912)
Closing shareholders' deficit	(537,606)

14 Profit and loss account

	Profit and Loss account 2002
	£
At beginning of period	(8,578,012)
Retained profit for period	2,040,306
At end of period	(6,537,706)

15 Immediate and ultimate parent company

The company's immediate parent company is BMG UK & Ireland Limited, a company incorporated in England and Wales.

The company's ultimate holding company and ultimate controlling party is Bertelsmann AG, a company incorporated in Germany.

The largest and smallest group for which group accounts are prepared, and of which the company is a member, is as follows:

Name	Bertelsmann AG
Country of incorporation	Germany
Address from where copies of the group accounts can be obtained	Carl Bertelsmann Strasse 270 33111 Gutersloh Germany

16 Related party disclosures

As the company is a wholly owned subsidiary of Bertelsmann AG it has taken advantage of the exemptions in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of Bertelsmann AG. There are no other related party transactions.