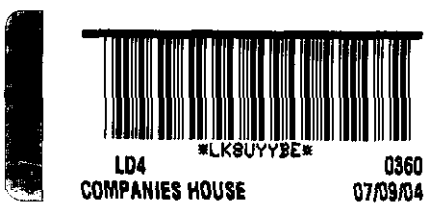
Mucho Loco Music Limited

Directors' report and financial statements

Registered number 2555621

31 December 2002



Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of Mucho Loco Limited	3
Profit and loss account	4
Balance sheet	5
Consolidated statement of total recognised gains and losses	6
Notes	7

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Activities

The principal activity of the company is that of a music library.

Business review and results

The company made a loss after taxation for the year of £69,144 *(2001: loss of: £275,063).* The directors do not recommend the payment of a dividend in respect of the year *(2001:£nil).*

Future prospects

The directors are confident that the company will continue to be profitable in the future.

Employees

The BMG value statement policy was introduced to promote a philosophy of management via partnership within an entrepreneurial environment supported by the requisite training/development and communication culture.

This will stimulate employees and closely involve them in the company's affairs and achievement of objectives.

Directors

The directors who held office during the year were:

P Curran	(appointed 17 April 2002)
W Downs	(appointed 17 April 2002)
I Flooks	(resigned 17 April 2002)

None of the directors hold any shares in the company and there are no arrangements whereby any director is able to acquire shares in the company *(2001:nil).*

Political and charitable donations

The company made no political or charitable donations in the year.

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

12th August 2004

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 and 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.

KPMG

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Independent auditors' report to the members of Mucho Loco Limited

We have audited the financial statements on pages 4 to 11.

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 are responsible for preparing the directors' 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.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 the 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Kpmg LLP

3/9/2004

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account

for the year ended 31 December 2002

	Note	2002	2001 As restated see note 1
		£	£
Turnover	*1,2*	**306,116**	184,000
Cost of sales		**(204,885)**	(128,800)
Gross profit		**101,231**	55,200
Administrative expenses	*4*	**(203,259)**	(329,023)
Operating loss		**(102,028)**	(273,823)
Interest receivable and similar income	*5*	**3,260**	23,001
Interest payable	*6*	**(9)**	(13,263)
Loss on ordinary activities before taxation	*3*	**(98,777)**	(264,085)
Tax on loss on ordinary activities	*7*	**29,633**	(10,978)
Loss on ordinary activities after taxation		**(69,144)**	(275,063)
Retained profit brought forward		**7,377**	282,440
Retained (loss)/profit carried forward		**(61,767)**	7,375

Turnover and profit on ordinary activities before taxation for the year and prior year relate exclusively to continuing operations.

There is no difference between the profit as disclosed in the profit and loss account and profit on a historical cost basis.

The notes on pages 6 to 11 form part of these financial statements.

Balance sheet

at 31 December 2002

	Note	2002	2001 As restated see note 1
		£	£
Current assets			
Debtors	8	**392,764**	899,019
Cash at bank and in hand		**549,843**	1,230,515
		942,607	2,129,534
Creditors: amounts falling due within one year	9	**(1,003,374)**	(2,121,157)
Net (liabilities)/assets		**(60,767)**	8,377
Capital and reserves			
Called up share capital	10	**1,000**	1,000
Profit and loss account		**(61,767)**	7,377
Equity shareholders' (deficit)/funds	11	**(60,767)**	8,377

These financial statements were approved by the Board of directors on 12th August 2004 and were signed on its behalf by:

W Downs
Director

The notes on pages 6 to 11 form part of these financial statements.

Statement of total recognised gains and losses

for the year ended 31 December 2002

	2002	2001 As restated see note 1
	£	£
Loss for the financial year	**(69,144)**	(275,063)
Total recognised gains and losses in the year	**(69,144)**	
Prior year adjustment (see note 1)	**190,143**	
Total gains and losses recognised since last annual report	**120,999**	

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. 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 accounting

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 containing a consolidated cash flow statement including the cash flows of the company.

As at 31 December 2002, the company had net liabilities of £60,767. The financial statements have been prepared on a going concern basis in view of a formal undertaking from its parent undertaking, Bertelsmann UK, confirming that it will provide sufficient funds to the company to enable it meet its liabilities as they fall due for at least twelve months and thereafter for the foreseeable future, to enable it to continue to trade.

The directors have no reason to believe that the parent company will not be in a position to provide the support referred to above and, accordingly, they have prepared the financial statements on the going concern basis.

Prior year adjustment

Under the previous accounting policy, turnover was recognised on a notified basis. On acquisition of the company by BMG Music Publishing Limited, the company changed its policy on recognition of income to an accruals basis.

The effect of the change in accounting policy on shareholders' funds is to increase brought forward reserves at 1 January 2001 by £190,143; increase the retained loss for the year ended 31 December 2001 by £28,046; increase prepayments and accrued income by £528,696; and increase accruals and deferred income by £366,599 as at 31 December 2001.

Turnover

Turnover represents copyright royalties receivable and sales of compact discs, excluding VAT.

Royalties

(i) Royalties receivable are recognised on the due date of receipt.

(ii) Royalties payable are calculated by reference to statements of account used for determining royalties receivable.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit for the year.

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 exchange

All transactions in foreign currencies are translated at current rates of exchange and amounts outstanding at the balance sheet date are translated at rates prevailing at the year end. Gains and losses arising are included in the results for the year.

2 Turnover – segmental analysis

Geographical analysis of turnover:

	2002	2001
	£	£
United Kingdom	**306,116**	14,612
Overseas	**-**	169,388
	306,116	184,000

3 Profit on ordinary activities before taxation

	2002	2001
	£	£
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration	**5,000**	4,600

4 Directors and employees

The average number of employees during the year was nil *(2001: nil)* consequently there were no staff costs *(2001:£nil)*.

None of the directors received any emoluments in respect of their services to the company during the year *(2001: £nil)*.

Notes *(continued)*

5 Interest receivable and similar income

	2002 £	2001 £
Bank interest receivable	**3,260**	23,001

6 Interest payable

	2002 £	2001 £
Bank interest payable	**9**	13,263

7 Taxation

Analysis of charge in the period

	2002 £	2001 £
Current tax:		
UK corporation tax on profits of the period	**29,633**	10,978
Tax on profit on ordinary activities	**29,633**	10,978

Factors affecting the tax charge for the financial period

The tax charge for the financial period is lower *(2001: higher)* than the standard rate of corporation tax in the UK (30%, *2001: 30%*). The differences are explained below.

	2002 £	2001 £
Loss on ordinary activities before tax	**(98,777)**	(264,085)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% *(2001: 30%)*	**(29,633)**	(79,226)
Effects of:		
Tax losses carried forward	**-**	70,812
Higher tax rates on overseas earnings	**-**	10,314
Adjustments to tax charge in respect of previous periods	**-**	9,078
Current tax (credit) / charge for financial period	**(29,633)**	10,978

Notes *(continued)*

8 Debtors

	2002	2001 As restated see note 1
	£	£
Advances to writers and publishers	**30,627**	-
Prepayments and accrued income	**332,504**	528,696
Other debtors	**29,633**	370,323
	392,764	899,019

9 Creditors: amounts falling due within one year

	2002	2001 As restated see note 1
	£	£
Trade creditors	**-**	1,106
Amounts due to group undertakings	**725,239**	1,643,369
Taxation and social security	**-**	110,083
Accruals and deferred income	**278,135**	366,599
	1,003,374	2,121,157

10 Called up share capital

	2002	2001
	£	£
Authorised:		
1,000 *(2001:1,000)* ordinary shares of £1 each	**1,000**	1,000
Allotted, issued and fully paid		
1,000 *(2001:1,000)* ordinary shares of £1 each	**1,000**	1,000

Notes *(continued)*

11 Reconciliation of movements in equity shareholders' (deficit)/funds

	2002	2001 As restated see note 1
	£	£
Loss for the financial year	(69,144)	(275,063)
Proceeds from issue of shares	-	998
Net reduction in equity shareholders' funds	(69,144)	(274,065)
Opening equity shareholders' funds (originally a deficit of £153,720 as at 1 January 2002 before adding prior year adjustment of £162,097)	8,377	282,442
Total equity shareholders' (deficit)/funds	(60,767)	8,377

12 Ultimate holding company

The company is a wholly owned subsidiary of BMG Music Publishing 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 33311 Gütersloh 1 Germany

13 Related party transactions

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Bertelsmann AG group of companies. There are no other related party transactions.