

BMG Ariola Records Limited

**Directors' report and financial
statements**

Registered number 1481009

31 December 2006



Contents

Directors' report	1
Balance sheet and Directors' responsibilities	2
Notes	3 - 4

Directors' report

The directors present their annual report and the unaudited financial statements for the year to 31 December 2006.

Review of business

The company did not trade during the current year or previous year and consequently made neither a profit nor a loss in either year.

Future prospects

The company is not expected to resume trading in the foreseeable future.

Directors and directors' interests

The directors who served during the year were:


D Pearce	(resigned 6 December 2006)
R Stringer	(resigned 19 July 2006)
G Doherty	(appointed 19 July 2006)
M Smith	(appointed 22 December 2006)

None of the directors held an interest in the shares of the company or any other group undertaking at 31 December 2006 and 31 December 2005.

Company Secretary

A George resigned and S Jenkins was appointed as company secretary on 29 September 2006.

By Order of the Board on 24th January 2007


S Jenkins
Secretary

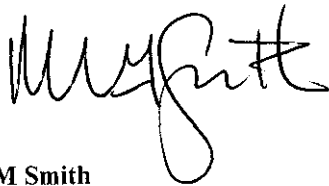
Balance sheet

at 31 December 2006

	<i>Note</i>	2006 £	2005 £
Current assets			
Amounts owed by group undertakings		100	100
Net assets		100	100
Equity capital and reserves			
Called up share capital	5	100	100
Equity shareholders' funds	6	100	100

- (a) For the year ended 31 December 2006 the company was entitled to exemption under section 249AA(1) of the Companies Act 1985.
- (b) Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.
- (c) The directors acknowledge their responsibility for:
- (i) ensuring the company keeps accounting records which comply with section 221; and
 - (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

These financial statements were approved by the Board on 24th May 2007 and were signed on its behalf by:



M Smith
Director

The notes on pages 3 and 4 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

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

The company is exempt from the requirement of Financial Reporting Standard No.1 Revised, Cash Flow Statements, being a wholly owned subsidiary of Sony BMG Music Entertainment B.V., a company incorporated in The Netherlands and which prepares consolidated financial statements in English containing a consolidated cash flow statement dealing with the cash flows of the group and of the company.

2 Activity

During the year the company has not traded, has not incurred any liabilities and consequently has made neither a profit nor a loss (2005: £nil).

3 Remuneration of directors

None of the directors received any emoluments in respect of their services to the company (2005: £nil).

4 Staff numbers and costs

There were no persons employed by the company during the year (2005: nil) and consequently no staff costs (2005: £nil).

5 Called up share capital

	2006 £	2005 £
<i>Authorised, allotted, called up and fully paid</i>		
100 (2005: 100) ordinary shares of £1 each	100	100

6 Reconciliation of movements in equity shareholders' funds

There was no movement in shareholders' funds during the year (2005: £nil).

7 Immediate and ultimate holding company

The company's immediate holding company is BMG Eurodisc Limited, a company incorporated in England and Wales. The ultimate holding company is Sony BMG Music Entertainment B.V., a company registered in The Netherlands which is 50% owned by Bertelsmann AG and 50% owned by Sony Corporation of America.

Notes *(continued)*

7 Immediate and ultimate holding company *(continued)*

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

Name	Sony BMG Music Entertainment B.V.
Country of incorporation	The Netherlands
Address from where copies of the Group accounts can be obtained	Heuvellaan 50, 1217 JN Hilversum The Netherlands

8 Related party transactions

The company is exempt under the terms of Financial Reporting Standard No. 8 from disclosing related party transactions with entities that are part of the Sony BMG Music Entertainment B.V. group of companies. There are no other related party transactions.