

BMG Ariola Records Limited

**Directors' report and financial
statements**

Registered number 1481009

31 December 2004



Contents

Directors' report	1
Statement of directors' responsibilities	2
Balance sheet	3
Notes	4, 5

Directors' report

The directors present their annual report and the unaudited financial statements for the year to 31 December 2004.

Review of the business

The company did not trade during the year and consequently made neither a profit nor a loss.

Future prospects

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

Directors

The directors who held office during the year were:

D Kooker	(resigned 2 January 2004)
M Breeze	(appointed 1 January 2004; resigned 31 October 2004)
D Pearce	(appointed 1 November 2004)

In addition, R Stringer was appointed as a director on 1 June 2005.

None of the directors held an interest in the shares of the company or any other group undertaking at 31 December 2003 or 31 December 2004.

Company Secretary

EJP Wareham resigned and A George was appointed as company secretary on 29 July 2005.

By Order of the Board


A George
Secretary

21st October 2005

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Balance sheet

at 31 December 2004

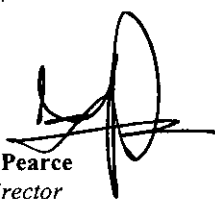
	Note	31 December 2004 £	31 December 2003 £
Current assets			
Amounts owed by group undertakings		100	100
Net assets		100	100
Equity capital and reserves			
Called up share capital	4	100	100
Equity shareholders' funds	5	100	100

For the year to 31 December 2004 the company was entitled to exemption under section 249a(1) of the Companies Act 1985.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 249b(2).

The directors acknowledge their responsibility for (i) ensuring the company keeps accountings 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 and loss for the financial year in accordance with 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 21st October 2005 and were signed on its behalf by:


 D Pearce
 Director

The notes on pages 4 to 5 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Accounting convention and accounting standards

The balance sheet has 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. None of the directors received any emoluments in respect of their services to the company (2003: £nil).

3 Employees

There were no employees during the year (2003: nil) and consequently no staff costs (2003: £nil).

4 Called up share capital

	31 December 2004 £	31 December 2003 £
<i>Authorised, allotted, called up and fully paid</i>		
100 (2003:100) ordinary shares of £1 each	100	100

5 Reconciliation of movements in equity shareholders' funds

There was no movement in shareholders' funds during the year.

6 Immediate and ultimate holding company

Following approval by the European Commission and U.S Federal Trade Commission, Bertelsmann AG (the company's former ultimate parent undertaking) and Sony Inc received clearance to proceed with a joint venture to create Sony BMG worldwide from the recorded music businesses of Sony Inc and Bertelsmann AG, effective from 1 August 2004.

BMG Eurodisc Limited was one of the Bertelsmann owned businesses forming part of the joint venture. As a result, as at 1 August 2004 the ultimate holding company was Sony BMG Music Entertainment BV, a company registered in the Netherlands which is 50% owned by Bertelsmann AG and 50% owned by Sony Corporation of America.

The company's immediate holding company is BMG Eurodisc Limited, a company incorporated in England and Wales.

Notes *(continued)*

6 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

7 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.