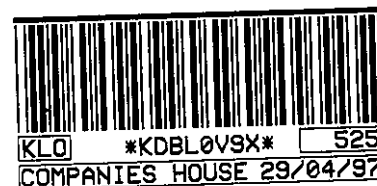


BMG ARIOLA RECORDS LIMITED

DIRECTORS' REPORT AND BALANCE SHEET

30 JUNE 1996

Registered Number: 1481009



BMG ARIOLA RECORDS LIMITED

DIRECTORS' REPORT

The directors present their report and the unaudited balance sheet and notes of the company for the year ended 30 June 1996.

REVIEW OF THE BUSINESS

The company did not trade during the year and consequently made neither profit nor 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:

J Preston
R Bala-Ratnam
M Stanton

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.

DIRECTORS' LIABILITY INSURANCE

During the year the company maintained liability insurance for its directors as permitted by Section 310(3) of the Companies Act 1985.

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

BMG ARIOLA RECORDS LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS RESPONSIBILITIES (Continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Under the exemption for qualifying dormant companies in Section 250 of the Companies Act 1985, the company has not appointed auditors.

By Order of the Board

A handwritten signature in dark ink, appearing to read 'EJP Wareham', with a stylized flourish at the end.

EJP Wareham
Secretary

18th April 1997

BMG ARIOLA RECORDS LIMITED

BALANCE SHEET - 30 JUNE 1996

	Note	<u>1996</u> £	<u>1995</u> £
CURRENT ASSETS			
Amounts owed by group undertakings		<u>100</u>	<u>100</u>
NET ASSETS		<u>100</u>	<u>100</u>
EQUITY CAPITAL AND RESERVES			
Called up share capital	4	<u>100</u>	<u>100</u>
EQUITY SHAREHOLDERS' FUNDS	5	<u>100</u>	<u>100</u>

The company was dormant within the meaning of Section 250 of the Companies Act 1985 throughout the financial year.

Approved by the Board on 18th April 1997



M Stanton
Director

The notes on pages 4 and 5 form part of these accounts.

BMG ARIOLA RECORDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1996

1 ACCOUNTING POLICIES

(1) Accounting convention and Accounting Standards

The balance sheet has been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

2 ACTIVITY

During the year the company has not traded, has not incurred any liabilities and consequently has made neither profit nor loss. None of the directors received any emoluments in respect of their services to the company.

3 EMPLOYEES

The average number of employees during the year was nil (1995: Nil).

4 CALLED UP SHARE CAPITAL

	<u>1996</u>	<u>1995</u>
	£	£
Authorised and allotted		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

5 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

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

6 ULTIMATE HOLDING COMPANY

The ultimate holding company of BMG Ariola Records Limited is Bertelsmann AG, a company incorporated in Germany.

BMG ARIOLA RECORDS LIMITED

7 PARENT UNDERTAKING

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