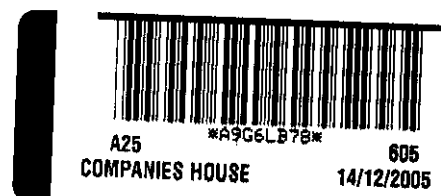


**Dedicated Limited**

**Directors' report and financial  
statements**

**Registered number 2426030**

**31 December 2004**



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## Directors' report

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

### Principal activities

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

### Business review and results

The company made a loss after taxation of £11,244 (2003: profit of £18,058).

The directors do not recommend the payment of a dividend (2003: £nil). The loss for the year transferred to reserves amounted to £11,244 (2003: profit £18,058)

### Directors and directors' interests

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 and T Bowen were appointed as directors on 1 June 2005.

The directors did not hold an interest in the shares of the company or any other group undertaking at 31 December 2004 and 31 December 2003.

### Company Secretary

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

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

8 December 2005

  
A George  
Secretary

## **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 or 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 group and to prevent and detect fraud and other irregularities.



**KPMG LLP**

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

**Report of the independent auditor to the members of Dedicated 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.

**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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Kpmg LLP*

**KPMG LLP**  
Chartered Accountants  
Registered Auditor

*9 December 2005*

## Profit and loss account

*For the year to 31 December 2004*

	<i>Note</i>	2004 £	2003 £
<b>Turnover</b>	2	12,950	22,964
Cost of sales		(5,218)	(4,689)
<b>Gross profit</b>		<hr/> 7,732	<hr/> 18,275
Administrative expenses		(5,758)	-
<b>Operating profit</b>		<hr/> 1,974	<hr/> 18,275
Interest payable and similar charges	6	(23,728)	(4,995)
<b>(Loss) / Profit on ordinary activities before taxation</b>	3	<hr/> (21,754)	<hr/> 13,280
Tax credit on (loss) / profit on ordinary activities	7	10,510	4,778
<b>(Loss) / Profit on ordinary activities after taxation</b>		<hr/> (11,244)	<hr/> 18,058
Retained loss brought forward	14	(6,519,648)	(6,537,706)
<b>Retained loss carried forward</b>	14	<hr/> (6,530,892) <hr/>	<hr/> (6,519,648) <hr/>

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

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

## Statement of total recognised gains and losses

A Statement of total recognised gains and losses has not been presented as there are no gains or losses other than those dealt with in the profit and loss account.

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

## Balance sheet

at 31 December 2004

	Note	31 December 2004 £	31 December 2003 £
<b>Current assets</b>			
Stock	8	2,001	974
Debtors	9	11,056	8,444
		<u>13,057</u>	<u>9,418</u>
<b>Creditors: amounts falling due within one year</b>	10	<b>(543,849)</b>	<b>(528,966)</b>
<b>Net liabilities</b>		<b>(530,792)</b>	<b>(519,548)</b>
<b>Capital and reserves</b>			
Called up share capital	11	6,000,100	6,000,100
Profit and loss account	14	(6,530,892)	(6,519,648)
<b>Shareholders' deficit</b>	13	<b>(530,792)</b>	<b>(519,548)</b>
<b>Shareholders' deficit:</b>			
Equity		(6,530,792)	(6,519,548)
Non-equity		6,000,000	6,000,000
		<u>(530,792)</u>	<u>(519,548)</u>

These financial statements were approved by the Board on 8 December 2005 and were signed on its behalf by:

  
**T Bowen**  
Director

The notes on pages 6 to 11 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.

#### ***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.

#### ***Going Concern***

The management of Sony BMG Music Entertainment (UK) Limited (formerly known as BMG UK & Ireland Limited) has informed the company that it is their intention to provide such financial support as is required by the company to meet its liabilities as they fall due for payment for a period not less than one year from the date of approval of these financial statements. In view of this confirmed support, the directors have prepared these financial statements on a going concern basis.

#### ***Turnover and revenue recognition***

Turnover comprises the value of sales (excluding VAT and net of trade discounts) of goods sold in the normal course of business and royalty income. Turnover relating to sales is recognised when the goods have been dispatched.

#### ***Royalties***

Royalty income is included on a receivable basis calculated on sales of records arising during each accounting period as reported by licensees. Royalties payable are expensed on an accruals basis except when they are carried forward and recognised as an asset where such advances relate to current released and unreleased products and where it is estimated that sufficient future royalties will be earned for recoupment from those products. Advances for overseas licences received in respect of individual albums are carried forward and recognised as income over the expected life of each individual licence.

#### ***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.

Sony BMG UK entities are able to relieve their taxable losses by surrendering them to other group companies where capacity to utilise those losses exists. 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.

## **2 Turnover**

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

Geographical analysis of turnover

	2004 £	2003 £
United Kingdom	12,950	22,964

Turnover by origin does not significantly differ from turnover by destination.

## **3 Loss on ordinary activities before taxation**

Auditor's remuneration is borne by the immediate parent undertaking, Sony BMG Entertainment (UK) Limited.

## **4 Remuneration of directors**

The directors did not receive any remuneration during the year (2003: £nil).

Retirement benefits are accruing to 2 directors (2003: 1) under a money purchase pension scheme, and are charged in the accounts of Sony BMG Music Entertainment (UK) Limited.

## **5 Staff numbers and costs**

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

## **6 Interest payable and similar charges**

	2004 £	2003 £
Other loans	23,728	4,995

Intercompany balances carried a rate of interest of 5.625% in 2004 (2003: 0%).

**Notes (continued)**

**7 Tax on (loss) / profit on ordinary activities**

	2004 £	2003 £
UK corporation tax at 30% (2003: 30%)	(6,526)	3,984
Adjustment to prior period provision	(3,984)	(8,762)
	<u>(10,510)</u>	<u>(4,778)</u>

*Factors affecting the tax charge for year*

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

	2004 £	2003 £
(Loss) / Profit on ordinary activities before tax	(21,754)	13,280
(Loss) / Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	(6,526)	3,984
Adjustments to tax charge in respect of previous periods	(3,984)	(8,762)
Current tax credit for the year	<u>(10,510)</u>	<u>(4,778)</u>

**8 Stock**

	2004 £	2003 £
Finished goods and goods for resale	<u>2,001</u>	<u>974</u>

## Notes (continued)

### 9 Debtors

	2004 £	2003 £
Amounts owed by group undertakings	22	23
Other debtors	737	859
Other taxation and social security	10,297	7,562
	<u>11,056</u>	<u>8,444</u>

### 10 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	178	1,205
Royalties and Licences	5,421	3,182
Amounts owed to group undertakings	538,250	516,804
Other creditors including taxation and social security	-	7,775
	<u>543,849</u>	<u>528,966</u>

### 11 Called up share capital

	2004 £	2003 £
<i>Authorised, allotted, called up and fully paid</i>		
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
	<u>6,000,100</u>	<u>6,000,100</u>

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. These shares do not carry any voting rights or rights to a dividend.

### 12 Deferred Taxation

A deferred tax asset of £169,486 (2003: £169,939) 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.

## Notes (continued)

### 13 Reconciliation of movement in shareholders' deficit

	2004 £	2003 £
Opening shareholders' deficit	(519,548)	(537,606)
(Loss) / profit for the year	(11,244)	18,058
<b>Closing shareholders' deficit</b>	<b>(530,792)</b>	<b>(519,548)</b>

### 14 Profit and loss account

	2004 £	2003 £
Opening balance	(6,519,648)	(6,537,706)
Retained (loss) / profit for the year	(11,244)	18,058
<b>Closing balance</b>	<b>(6,530,892)</b>	<b>(6,519,648)</b>

### 15 Immediate and ultimate parent company

The company's immediate parent company is Sony BMG Music Entertainment (UK) Limited, a company incorporated in England and Wales.

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.

Sony BMG Music Entertainment (UK) 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 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

**Notes** *(continued)*

**16 Related party disclosures**

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.