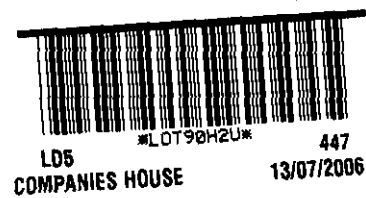


**Dedicated Limited**

**Directors' report and financial  
statements**

**Registered number 2426030**

**31 December 2005**



## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	2
Report of the independent auditor to the members of Dedicated Limited	3 - 4
Profit and loss account	5
Statement of total recognised gains and losses	5
Balance sheet	6
Notes	7 - 11

## Directors' report

The directors present their annual report and the audited financial statements for the year to 31 December 2005.

### 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 on ordinary activities for the year after taxation of £18,617 (2004: *loss of £11,244*). The directors do not recommend the payment of a dividend (2004: *£nil*). Losses transferred to reserves amounted to £18,617 (2004: *losses transferred to reserves of £11,244*).

### Future prospects

The directors do not expect a change in the level of activity in the foreseeable future.

### Directors and directors' interests

The directors who held office during the year were:

D Pearce  
R Stringer (appointed on 1 June 2005)  
T Bowen (appointed on 1 June 2005, resigned 8 May 2006)

None of the directors held an interest in the shares of the company or any other group undertaking at 31 December 2005 and 31 December 2004.

### 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 on

5 July 2006



A George  
Secretary

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 these 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 that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that its 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 LLP

8 Salisbury Square  
London  
EC4Y 8BB  
United Kingdom

### **Independent auditors' report to the members of Dedicated Limited**

We have audited the financial statements of Dedicated Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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**

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

**Independent auditors' report to the members of Dedicated Limited (*continued*)**

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 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*

*5 July* 2006

## Profit and loss account

*for the year to 31 December 2005*

	<i>Note</i>	<b>2005</b> £	<b>2004</b> £
<b>Turnover</b>	2	<b>2,399</b>	12,950
Cost of sales		(1,299)	(5,218)
<b>Gross profit</b>		<b>1,100</b>	7,732
Administrative expenses		-	(5,758)
<b>Operating profit</b>		<b>1,100</b>	1,974
Interest payable and similar charges	6	(27,694)	(23,728)
<b>(Loss) on ordinary activities before taxation</b>	3	<b>(26,594)</b>	(21,754)
Tax credit on (loss) on ordinary activities	7	7,977	10,510
<b>(Loss) on ordinary activities after taxation</b>		<b>(18,617)</b>	(11,244)
<b>Retained (loss) for year</b>	12	<b>(18,617)</b>	(11,244)

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.

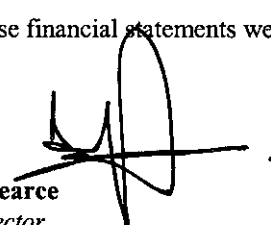
The notes on pages 7 to 11 form part of these financial statements.

## Balance sheet

at 31 December 2005

	Note	2005 £	2004 £
<b>Current assets</b>			
Stocks	8	2,605	2,001
Debtors	9	17,354	11,056
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	10	19,959 (569,368)	13,057 (543,849)
		<hr/>	<hr/>
<b>Net current liabilities / net liabilities</b>		(549,409)	(530,792)
		<hr/>	<hr/>
<b>Equity capital and reserves</b>			
Called up share capital	11	6,000,100	6,000,100
Profit and loss account	12	(6,549,509)	(6,530,892)
		<hr/>	<hr/>
<b>Shareholders' deficit</b>	13	(549,409)	(530,792)
		<hr/>	<hr/>
<b>Shareholders' deficit:</b>			
Equity		(6,549,409)	(6,530,792)
Non-equity		6,000,000	6,000,000
		<hr/>	<hr/>
		(549,409)	(530,792)
		<hr/>	<hr/>

These financial statements were approved by the Board on 5 July 2006 and were signed on its behalf by:

  
**D Pearce**  
Director

The notes on pages 7 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 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 goods is recognised when the products has been dispatched.

#### ***Stock***

Stocks are stated at the lower of cost and net realisable value. Cost represents production costs charged by manufacturers.

#### ***Royalty advances and recording costs***

Advances paid to artists in respect of future royalties together with recording costs recoverable from future royalties are carried forward as an asset pending recovery through royalties earned on future record sales. When full recovery is uncertain, these costs are written down to estimated recoverable amounts. If recovery is made in subsequent periods of advances previously written off, the recoupment is reflected in cost of sales.

#### ***Foreign currencies***

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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 which includes this company 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.

### 2 Turnover

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

### 3 Loss on ordinary activities before taxation

The audit fee for the company is borne by the immediate parent undertaking, Sony BMG Entertainment (UK) Limited.

### 4 Remuneration of directors

The directors receive emoluments from the group for services to the company and certain other subsidiaries in the group. The total emoluments are charged in the accounts of the holding company, Sony BMG Music Entertainment (UK) Limited.

Retirement benefits are accruing to 2 directors (2004: 2) under a money purchase pension scheme, and are charged in the accounts of the holding company.

### 5 Staff numbers and costs

There were no persons employed by the company during the year (2004: nil) and consequently no staff costs (2004: £nil).

### 6 Interest payable and similar charges

	2005 £	2004 £
Other loans	27,694	23,728

Intercompany balances carried a rate of interest of 5.125% in 2005 (2004: 5.625%).

**Notes (continued)**

**7 Tax on loss on ordinary activities**

	2005 £	2004 £
UK corporation tax credit at 30% (2004: 30%)	(7,977)	(6,526)
Adjustment to prior periods	-	(3,984)
	<u>(7,977)</u>	<u>(10,510)</u>

*Factors affecting the tax charge for year*

The tax assessed for the year is equal to (2004: *higher than*) the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2005 £	2004 £
Loss on ordinary activities before tax	(26,594)	(21,754)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(7,977)	(6,526)
<i>Effects of:</i>		
Adjustments to tax charge in respect of prior periods	-	(3,984)
Current tax credit for the year	<u>(7,977)</u>	<u>(10,510)</u>

**8 Stock**

	2005 £	2004 £
Finished goods and goods held for resale	<u>2,605</u>	<u>2,001</u>

**9 Debtors**

	2005 £	2004 £
Amounts owed by group undertakings	23	22
Group relief debtor	14,503	6,526
Other debtors	2,828	4,508
	<u>17,354</u>	<u>11,056</u>

## Notes (continued)

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

	2005 £	2004 £
Trade creditors	955	178
Royalties and licences	5,796	5,421
Amounts owed to group undertakings	562,617	538,250
	<u>569,368</u>	<u>543,849</u>

### 11 Called up share capital

	2005 £	2004 £
<i>Authorised, allotted, called up and fully paid</i>		
Equity: 100 (2004: 100) ordinary shares of £1 each	100	100
Non-equity: 6,000,000 (2004: 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 Profit and loss account

	2005 £	2004 £
Opening balance	(6,530,892)	(6,519,648)
Retained loss for the year	(18,617)	(11,244)
	<u>(6,549,509)</u>	<u>(6,530,892)</u>

### 13 Reconciliation of movement in shareholders' deficit

	2005 £	2004 £
Opening shareholders' deficit	(530,792)	(519,548)
Loss for the year	(18,617)	(11,244)
	<u>(549,409)</u>	<u>(530,792)</u>

## Notes (continued)

### 14 Deferred Taxation

A deferred tax asset of £167,152 (2004: £169,486) 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.

### 15 Immediate and ultimate holding company

The company's immediate holding company is Sony BMG Music Entertainment (UK) 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

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 Group Accounts can be obtained	Heuvellaan 50, 1217 JN Hilversum The Netherlands

### 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.