

# **Creation Records Limited**

**Directors' report and financial  
statements**

**Registered number 01880120**

**31 March 2012**

WEDNESDAY



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## **Company Information**

<b>Directors</b>	M Smith N Gatfield
<b>Secretary</b>	S Jenkins
<b>Company number</b>	01880120
<b>Registered office</b>	9 Derry Street London W8 5HY
<b>Auditors</b>	Kingston Smith LLP 141 Wardour Street London W1F 0UT

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## **Directors' report**

The directors present their Annual Report and the audited financial statements for the year ended 31 March 2012

### **Activities**

The principal activity of the company continues to be record production and the exploitation of recording rights

### **Business review and results**

The company made a profit on ordinary activities for the year after taxation of £533,708 (2011 £279,027). The directors do not recommend the payment of a dividend (2011 £nil). Profits transferred to reserves amounted to £533,708 (2011 £279,027).

### **Future prospects**

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

### **Principal risks and uncertainties**

From the perspective of the company, the principal risks and uncertainties are integrated with the risks of Sony Music Entertainment UK group and are not managed separately. These risks are discussed in the Sony Music Entertainment UK Limited annual report of the year ended 31 March 2012 which does not form part of this report.

### **Key performance indicators (KPI)**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

### **Directors**

The directors who held office during the year were

G Doherty (resigned 11 November 2011)

M Smith

P Curran (resigned 4 September 2011)

N Gatfield (appointed 31 July 2012)

None of the directors held an interest in the shares of the company or any other group undertaking at 31 March 2012.

### **Company Secretary**

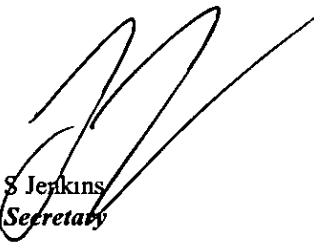
Abogado Nominees Limited and Simon Jenkins acted jointly and severally as company secretary during the year.

## **Directors' report** *(continued)*

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the Board on 26<sup>th</sup> October 2012



S Jenkins  
*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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

## **Independent auditors' report to the members of Creation Records Limited**

We have audited the financial statements of Creation Records Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party 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 explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors' report to the members of Creation Records Limited** *(continued)*

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Cliff Ireton (Senior Statutory Auditor)  
For and on behalf of Kingston Smith LLP  
Chartered Accountants  
Statutory Auditors  
26<sup>th</sup> October 2012

141 Wardour Street  
London  
W1F 0UT



## Profit and loss account

	<i>Note</i>	<b>Year ended 31 March 2012 £</b>	<b>Year ended 31 March 2011 £</b>
<b>Turnover</b>	<b>2</b>	<b>973,594</b>	<b>362,077</b>
Cost of Sales		<b>(296,661)</b>	<b>(91,010)</b>
<b>Gross profit</b>		<b>676,933</b>	<b>271,067</b>
Administrative expenses		<b>(4,500)</b>	<b>(10,517)</b>
<b>Operating Profit</b>		<b>672,433</b>	<b>260,550</b>
Interest receivable and similar charges	<b>6</b>	<b>48,794</b>	<b>31,907</b>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>721,227</b>	<b>292,457</b>
Tax credit on loss on ordinary activities	<b>7</b>	<b>(187,519)</b>	<b>(13,430)</b>
<b>Profit on ordinary activities after taxation</b>	<b>11</b>	<b>533,708</b>	<b>279,027</b>

Profit 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

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 8 to 12 form part of these financial statements

## Balance sheet

	<i>Note</i>	<b>31 March 2012 £</b>	<b>31 March 2011 £</b>
<b>Current assets</b>			
Debtors	8	2,837,039	2,117,312
		<hr/>	<hr/>
<b>Creditors</b> amounts falling due within one year	9	(205,949)	(19,930)
		<hr/>	<hr/>
<b>Net current assets</b>		<b>2,631,090</b>	<b>2,097,382</b>
		<hr/>	<hr/>
<b>Share capital and reserves</b>			
Called up share capital	10	1,000	1,000
Profit and loss account	11	2,630,090	2,096,382
		<hr/>	<hr/>
<b>Shareholders' deficit</b>	12	<b>2,631,090</b>	<b>2,097,382</b>
		<hr/>	<hr/>

These financial statements were approved by the Board of directors on 26<sup>th</sup> October 2012 and were signed on its behalf by



M Smith  
 Director

Company Registration number 01880120

The notes on pages 8 to 12 form part of these financial statements

## Notes to the financial statements

*(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 in the United Kingdom

#### *Cash flow exemption*

The company is exempt from the requirement of Financial Reporting Standard 1 (1996), Cash Flow Statements, being a wholly owned subsidiary of Sony Corporation, a company incorporated in Japan 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

#### *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 product has been dispatched

#### *Royalties*

Music publishing royalties received are accounted for on a notified earnings basis, with any unrecovered royalty advances carried forward until the end of the relevant contract year. Royalties payable are expensed on an accruals basis except that music publishing royalty advances are carried forward and recognised as an asset where such advances relate to proven artists or songwriters and where it is estimated that sufficient future royalties will be earned for recoupment of these advances

#### *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

#### *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 Music UK entities which include 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

## Notes to the financial statements (continued)

### 2 Turnover

The turnover for the year is attributable to the principal activities of the company

A geographical analysis of turnover by origin and destination is shown below

	Year ended 31 March 2011 £	Year ended 31 March 2011 £
United Kingdom	531,514	236,953
Rest of World	442,080	125,124
	<u>973,594</u>	<u>362,077</u>

### 3 Profit on ordinary activities before taxation

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
<b>Operating profit is stated after charging</b>		
Fees payable to the company's auditor for the audit of the company's annual accounts		
- current year	5,000	5,000
- prior year	-	4,000
- taxation services	-	1,500
	<u>5,000</u>	<u>10,500</u>

The audit fee for the company is borne by the company's immediate parent company, Sony Music Entertainment UK Limited

### 4 Remuneration of directors

The directors receive emoluments from the group for their services to the company and certain other subsidiaries in the group. The total emoluments are charged in the accounts of one of the company's immediate parent company, Sony Music Entertainment UK Limited.

Retirement benefits are accruing to 2 directors (2011: 3) under a money purchase pension scheme and are charged in the accounts of Sony Music Entertainment UK Limited.

### 5 Staff numbers and costs

There were no persons employed by the company during the year (2011: nil) and consequently no staff costs (2011: £nil).

## Notes to the financial statements (continued)

### 6 Interest receivable and similar charges

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Other loans	48,794	31,907

Intercompany balances carried a rate of interest of 1.75% during the year (2011: 1.53%)

### 7 Tax on profit on ordinary activities

*Analysis of tax charge/(credit) for the period*

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
UK corporation tax		
UK corporation tax at 26% (2011: 28%)	187,519	13,430
Adjustments in respect of previous periods	-	-
Total current tax charge	187,519	13,430

*Factors affecting the tax charge for the year*

The tax assessed for the year is lower than (2011: lower than) the standard effective rate of corporation tax in the UK of 26% (2011: 28%). The differences are explained below

	Year ended 31 March 2012 £	Year ended 31 March 2011 £
Profit on ordinary activities before tax	721,227	292,457
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011: 28%)	187,519	81,888
Effects of Adjustments to tax charge in respect of previous periods	-	(68,458)
Current tax charge for the year	187,519	13,430

Factors which may affect future tax changes

On 26 March 2012 a resolution passed by Parliament reduced the main corporation tax rate from 26% to 24% effective from 1 April 2012. This change was announced in the March 2012 Budget Statement together with the intention to reduce the main rate of corporation tax to 22% by 1 April 2013. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is included in the Finance Act 2012. None of the rate reductions from 24% to 22% had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

## Notes to the financial statements (continued)

### 8 Debtors

	31 March 2012 £	31 March 2011 £
Amounts owed by parent and fellow subsidiary undertakings	2,837,039	2,117,312
	<u>2,837,039</u>	<u>2,117,312</u>

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

	31 March 2012 £	31 March 2011 £
Corporation tax group relief creditor	200,949	13,430
Accruals and deferred income	5,000	6,500
	<u>205,949</u>	<u>19,930</u>

### 10 Called up share capital

	31 March 2012 £	31 March 2011 £
<i>Authorised, allotted, called up and fully paid</i> 1,000 (2011 1,000) ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

### 11 Profit and loss account

	31 March 2012 £	31 March 2011 £
Opening balance	2,096,382	1,817,355
Profit for the year	533,708	279,027
	<u>2,630,090</u>	<u>2,096,382</u>
Closing balance	2,630,090	2,096,382

## Notes to the financial statements *(continued)*

### 12 Reconciliation of movements in shareholders' funds

	31 March 2012 £	31 March 2011 £
Opening shareholders' deficit	2,097,382	1,818,355
Profit for the year	533,708	279,027
	<hr/>	<hr/>
Closing shareholders' deficit	2,631,090	2,097,382
	<hr/>	<hr/>

### 13 Immediate and ultimate parent undertaking

The company's immediate parent undertaking is Sony Music Entertainment UK Limited, a company incorporated in England and Wales. The ultimate parent undertaking and controlling party is Sony Corporation, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Sony Corporation consolidated financial statements can be obtained from 7-1, Konan 1-chome, Minato-ku, Tokyo, 108-0075.

### 14 Related party transactions

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